

COPY

Blount Memorial
Hospital

CN1603-011



907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

March 7, 2016

Melanie M. Hill
Executive Director
TN Health Services & Development Agency
502 Deaderick Street
Andrew Jackson Building- 9th Floor
Nashville, TN 37243

Dear Ms. Hill:

Enclosed please find three replacement Certificate of Need Applications for the construction and establishment of a free standing emergency department as Federal Express damaged the first set that arrived March 7, 2016.

Also included are three copies of the newspaper showing the Publication of Intent. The filing fee in the amount of \$17,706.70 has already arrived with the first set of documents.

Please don't hesitate to contact should you have any questions at 865-981-2310.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jane T. H. Nelson".

Jane T. H. Nelson
Assistant Administrator

Enc.

Robert Redwine
President of the Board

Dr. Ted Flickinger
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

SECTION A:

APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.**

For Section A, Item 1, Facility Name must be applicant facility's name and address must be the site of the proposed project.

For Section A, Item 3, Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

For Section A, Item 4, Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

For Section A, Item 5, For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

For Section A, Item 6, For applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

1. Name of Facility, Agency, or Institution

Blount Memorial Hospital, Inc.

Name

907 East Lamar Alexander Parkway

Street or Route

Blount

County

Maryville

City

TN

State

37804

Zip Code

2. Contact Person Available for Responses to Questions

Jane T. H. Nelson

Name

Assistant Administrator
Title

Blount Memorial Hospital, Inc.

Company Name

jnelson@bmnet.com

Email address

907 E. Lamar Alexander Parkway

Street or Route

Maryville

City

TN

State

37804

Zip Code

Employee

Association with Owner

865-981-2310

Phone Number

865-981-2333

Fax Number

3. Owner of the Facility, Agency or Institution

Blount Memorial Hospital, Inc.

Name

865-981-2310

Phone Number

907 E. Lamar Alexander Parkway

Street or Route

Blount

County

Maryville

City

TN

State

37804

Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship _____

B. Partnership _____

C. Limited Partnership _____

D. Corporation (For Profit) _____

E. Corporation (Not-for-Profit) ☒

F. Government (State of TN or
Political Subdivision) _____

G. Joint Venture _____

H. Limited Liability Company _____

I. Other (Specify) _____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. Name of Management/Operating Entity (If Applicable)

Not Applicable

Name _____

Street or Route _____

County _____

City _____

State _____

Zip Code _____

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|-------------------------|-------------------------------------|--------------------|-------|
| A. Ownership | <input checked="" type="checkbox"/> | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. Type of Institution (Check as appropriate--more than one response may apply)

- | | | | |
|--|-------------------------------------|--|-------|
| A. Hospital (Specify) Acute Care Facility | <input checked="" type="checkbox"/> | I. Nursing Home | _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | _____ | J. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | _____ | K. Recuperation Center | _____ |
| D. Home Health Agency | _____ | L. Rehabilitation Facility | _____ |
| E. Hospice | _____ | M. Residential Hospice | _____ |
| F. Mental Health Hospital | _____ | N. Non-Residential Methadone Facility | _____ |
| G. Mental Health Residential Treatment Facility | _____ | O. Birthing Center | _____ |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | _____ | P. Other Outpatient Facility (Specify) | _____ |
| | | Q. Other (Specify) | _____ |

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | | | |
|--|-------------------------------------|---|-------|
| A. New Institution | _____ | G. Change in Bed Complement | _____ |
| B. Replacement/Existing Facility | _____ | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | |
| C. Modification/Existing Facility | _____ | | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | _____ | | |
| (Specify) Free Standing ER | <input checked="" type="checkbox"/> | H. Change of Location | _____ |
| E. Discontinuance of OB Services | _____ | I. Other (Specify) | _____ |
| F. Acquisition of Equipment | _____ | | |

Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

		Current Beds		Staffed Beds	Beds Proposed	TOTAL Beds at Completion
		Licensed	*CON			
A	Medical	157	_____	90	_____	157
B	Surgical	94	_____	64	_____	94
C	Long-Term Care Hospital	_____	_____	_____	_____	_____
D	Obstetrical	12	_____	12	_____	12
E	ICU/CCU	25	_____	17	_____	25
F	Neonatal	_____	_____	_____	_____	_____
G	Pediatric	_____	_____	_____	_____	_____
H	Adult Psychiatric	8	_____	8	_____	8
I	Geriatric Psychiatric	_____	_____	_____	_____	_____
J	Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K	Rehabilitation	_____	_____	_____	_____	_____
L	Nursing Facility (non-Medicaid Certified)	76	_____	76	_____	76
M	Nursing Facility Level 1(Medicaid only)	_____	_____	_____	_____	_____
N	Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O	Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P	ICF/MR	_____	_____	_____	_____	_____
Q	Adult Chemical Dependency	8	_____	8	_____	8
R	Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S	Swing Beds	_____	_____	_____	_____	_____
T	Mental Health Residential Treatment	_____	_____	_____	_____	_____
U	Residential Hospice	_____	_____	_____	_____	_____
	TOTAL *CON-Beds approved but not yet in service	380	_____	275	_____	380
10	Medicare Provider Number Certification Type	440011 Hospital				
11	Medicaid Provider Number Certification Type	0440011 Hospital				
12	If this is a new facility, will certification be sought for Medicare and/or Medicaid?	Yes				
13	<i>Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? YES. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. See next page.</i>					

4. Ownership

Response: Blount Memorial Hospital will own and operate the proposed free-standing Emergency Department as an extension of its existing Emergency Department. There is no other ownership involved with this project.

8. Purpose of Review

Response: Blount Memorial Hospital proposes the initiation of Health Care Service as defined in TCA 68-11-1607(4) to add a free-standing Emergency Department as an extension of its existing Emergency Department.

13. *Identify all TennCare Managed Care Organization/Behavioral health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?*

Response: Yes

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Response: Blount Memorial Hospital participates in all MCO's that operate in our service area including:

Blue Cross BlueCare MCO

Cover TN

TennCare Select

United Health Care's Community Health Plan

Amerigroup

We have no relationship with out of area TennCare MCO's except for TennCare Select and Cover TN that serves statewide.

NOTE: *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE:

Blount Memorial Hospital is seeking Certificate of Need approval to establish a free-standing Emergency Department located on existing hospital property, 2410 US Highway 411 south, Maryville, TN 37801 and consisting of 7.18 acres. The proposed free standing emergency department will be owned and operated as an extension of the existing Emergency Room department located at the hospital's main campus at 907 E. Lamar Alexander Parkway, Maryville, TN 37804 and licensed under the Hospital's license. The proposed facility will include the 14 treatment rooms, support areas, wait areas, decontamination area, diagnostic rooms, space to observe patients, and shelved space for future use. The treatment rooms would be generally designated as follows:

- 2 Trauma rooms
- 2 Seclusion rooms
- 1 Isolation room
- 9 general treatment rooms

In addition, the free standing emergency department facility will have diagnostic capabilities including CT, ultrasound, x-ray, and laboratory services. An area will also be designated as a patient observation area that will hold recliners and have monitoring capability.

The proposed facility will consist of 17,250 gross square feet of new construction and the total cost of the project is estimated to be \$7,887,351. The cost per square foot of this new construction is projected to be approximately \$250.

Staffing of the service by the hospital is described in more detail in later sections of the application but will consist of RN's, monitor techs, certified nurse assistants, emergency medical techs, lab techs, radiological techs, registration personnel, case manager, supervisors and a shared Director who will cover both sites. Recruitment efforts are done with a nurse recruiter in conjunction with Human Resource staff and the Emergency Room director.

Physician coverage will be provided by Align, MD, a contract emergency physician service that currently provides emergency physicians in the hospital's emergency department.

The need for the service is established from several standpoints. First, the hospital's emergency department is projected to treat 60,000 + patients this Fiscal year (July 1- June 30), which represents a 9.1% increase from the prior Fiscal year and a 16.8% increase from two years ago. This corresponds to 2,222 visits per room per year. With this growth in emergency room visits, we embarked on a comprehensive effort two years ago with a new Emergency Physician group to streamline our processes in the ER to maximize patient visits and to reduce patient wait time. Our main campus ER has 27 beds available for treatment and in mid year of 2013 our average door to doctor time was 102 minutes, with a median length of stay of 295 minutes for patients who were discharged, and 360 minutes for patients who were admitted. As of January, 2016 our average door to doctor time is 21 minutes, with a median length of stay of 148 minutes for patients who were discharged, and 239 minutes for patients who were admitted. Despite our efforts in improved patient flow, with increased volume we find that we are now faced with the need to expand our ER bed capacity. However, given the limitation of space on our main campus, we cannot expand our main campus ER without incurring serious disruption – both in the ER itself and in adjacent hospital areas – and excessive cost. To expand the existing ER would adversely affect the adjacent Radiology department, disrupt service for at least two years since renovation and additions would have to take place while operating, and cost more than the free standing option. Assuming we did opt for this on-campus expansion, the costs are estimated to be \$8,801,291 plus equipment, not to mention the interruption in service it would cause for over a two-year period.

In Blount County and surrounding counties, emergency room visits have increased 4.5% to 9% from 2009 to 2014. Therefore, even if use rates remain constant, with growing population and aging population, ER visits will continue to grow. Blount Memorial Hospital needs expanded capacity to meet that growing need.

The project will be funded with existing funds. The financial feasibility for the first two years of operation shows net operating income of \$1,834,129 and \$1,902,004 respectively for years one and two of operation.

The proposed free standing emergency department will contribute to the orderly development of healthcare in the service area by relieving pressure on our main campus ER and by providing emergency services in a location that is more convenient for some existing patients of Blount Memorial hospital. The project will not adversely affect other providers because the patients treated in the new free-standing ED will be patients who otherwise would have been treated on the main campus of Blount Memorial Hospital.

- II. Provide a detailed narrative of the project by addressing the following items as they related to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

RESPONSE:

As shown in the facility drawing in Appendix B – II A, the total gross square footage for the satellite emergency department facility will be 17,250 square feet, and will include a wait area, registration area, triage space, nurse stations, treatment rooms, trauma capabilities, rooms for seclusion and for isolation, a decontamination area, an observation room in the event patient conditions necessitate observation before considering discharge, diagnostic space for a CT, ultrasound unit, x-ray unit, and lab, staff areas and support areas for storage, linen and other needed supplies. In addition, space will be shelled for future use. The Emergency Department will be located in a single story building and will operate 24hours/7days a week.

The construction cost per square foot is estimated to be \$250. Adding site development and architectural and engineering fees, the cost per square foot is estimated to be \$293.99. *Refer to the Square Footage & Cost per square Foot Chart of this application.* Utilizing HSDA's 'Applicant Tool Box' data, our estimated cost per square foot for new construction is in the median range listed at \$259.66/square foot for hospital's in the tool box. If we assume that the 'Applicant Tool Box' includes construction, site prep and architect and engineering fees then the cost per square foot for this project is comparable to the 3rd quartile for new construction listed at \$296.52/square foot for hospitals. Other CON's submitted this past year are difficult to compare as some include renovated space along with new construction. The cost per square foot has ranged from \$288 for renovated areas to \$262 for new

construction but those projects also included non-clinical areas such as classrooms that are less costly than patient areas with monitoring equipment and diagnostic areas.

The Remaining Page Left Intentionally Blank.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

RESPONSE:

There is no change in the hospital's bed complement associated with this project.

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

RESPONSE:

None of the Services listed in this section pertain to this application.

- D. Describe the need to change location or replace an existing facility

RESPONSE:

Not Applicable.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:

1. Total cost ;(As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

RESPONSE:

This project does not include major medical equipment as defined in this section.

III. (A) Attach a copy of the plot plan of the site on an 8 ½" x 11" sheet of white paper which must include:

1. Size of site (in acres)
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highways that cross or border the site.

RESPONSE:

The plot plan for the proposed free standing emergency room is located in Appendix B- III A of this application.

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE:

The proposed free standing emergency department will be located on Highway 411 – a major route that connects Maryville with Loudon and Monroe counties to the southwest extending as far as Atlanta, Georgia and beyond, and Sevier County to the northeast. Traffic counts along that stretch of 411 extending into Maryville range from 11,000 to 32,760 on a daily basis. Highway 411 and Highway 129 (aka Alcoa Highway) join approximately 1 mile north of the site. Blount Memorial Hospital has off-campus locations in Alcoa and Maryville that are north of the hospital, and a physician practice in Vonore (Monroe County), but this is the first in this section (western portion) of Blount County. The second Wal-Mart of Blount County is located across the street from the proposed site that resulted in the placement of a traffic light. Since Highway 411 is a major thoroughfare the proposed ED will be easily accessible and convenient. Public transportation in the county is limited to ETHRA (East TN Human

Resource Agency). ETHRA provides transportation Monday through Friday, 8:00 till 4:30 pm, and while medical visits are priority, it is necessary to call 72 hours in advance to arrange for transportation. P2Places Transportation website indicates that it operates 24/7 for non-emergent medical transport for certain TennCare MCO recipients and Veterans Affairs.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

RESPONSE:

A floor plan of the facility that shows the layout of the proposed emergency department is included in Appendix B – II A.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

RESPONSE:

Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

RESPONSE:

In terms of the State of Tennessee Health Plan's Five Principles for Achieving Better Health, and Tennessee's Health: Guidelines for Growth, the proposed free standing Emergency Room has some direct and indirect impact. Specifically,

- (1) **Healthy Lives** – The proposed free-standing ER will provide emergent care and our staff will treat many of the health problems outlined in the core measures in the State Health Plan for which our State ranks poorly. Some of these core areas that will be treated in the emergency room include cardiovascular related illness, behavioral related illness, drug related incidents, and stroke to name a few that are considered some of the worst rankings in the State of TN compared to the rest of the country. In addition, our hospital's foundation has formed a Community Health Initiative in partnership with the Hospital, Blount County Health Department and Blount Chamber and the teams work daily with law enforcement, the court system, mental health advocates and a variety of local agencies to address Teen Pregnancy, domestic violence, substance abuse, suicide prevention and mental health awareness. In addition, there is a team focused on the reduction of childhood obesity and promoting physical activity.
- (2) **Access to Care** – The proposed free-standing Emergency Department will help improve access by expanding emergency department capacity both in terms of additional treatment rooms, but also by providing a new convenient location. Blount Memorial Hospital is a not-for-profit institution that provides extensive charity care and is contracted with all TennCare MCO's that operate in our service area. The hospital wrote off \$38.3 million in charity care last fiscal year. TennCare recipients represent 29% of the patients who utilize our Emergency Room.
- (3) **Economic Efficiencies** – With the need to establish additional emergency room capacity, we have determined that establishing the free standing emergency department is more economical than attempting to expand at its current location. The cost of constructing (construction, site prep and architect and engineering fees, contingency) the new free standing emergency room is estimated to be \$5,933,750 (does not include equipment) versus expanding on site at a comparative construction cost of \$8,801,291.
- (4) **Quality of Care** – Blount Memorial Hospital is fortunate to work with a dedicated medical staff in which the majority (96%) practice exclusively at the hospital and who are actively engaged in quality improvement efforts. Align, MD, our Emergency Room physician group, has worked diligently with us to improve the patient flow and response time in our emergency room, and they actively participate in our efforts to maintain state of the art stroke technology and treatments that begin in the ER, heart attack treatment including first-contact-to-balloon time (measuring the minutes from first medical contact to when a blocked artery is opened to restore blood flow) averaging 30 minutes faster than the national standard, and a sepsis alert effort that puts in place protocols to address

the septic patient in a timely and meaningful manner. The Hospital is Joint Commission accredited, and has specialty Joint Commission accreditations for stroke, total knees, and total hips. We have had the distinction of being the only hospital in East TN to be ranked in the top 5% of the nation for clinical performance and have been recognized for coronary care, GI Procedures, general surgery, pulmonary care and stroke care to name a few.

- (5) Workforce – Blount Memorial Hospital offers tuition assistance and reimbursement for clinical certifications for its workforce. In addition, we provide on the job training and mentoring programs for both internal staff and external students. According to an economic impact study conducted by Mark Burton, research associate professor in the University of Tennessee's Department of Economics, the hospital is directly and indirectly responsible for over 15% of Blount county's employment and more than 20% of all Blount County incomes, spurring more than \$536 million in incomes within the county.

(a) Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

RESPONSE:

The Certificate of Need Categories does not include a specific section for free standing/satellite ER facilities, but could be considered under the criteria for "Construction, Renovation, Expansion, and Replacement of Health Care Institutions" and is addressed below.

"Construction, Renovation, Expansion, and Replacement of Health Care Institutions" criteria

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

RESPONSE: Not applicable. The proposed free standing ER does not include the addition of beds, or new services or medical equipment as defined in CON criteria.

2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

RESPONSE: Not applicable.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE:

Not applicable as this project does not include renovation and relocation.

3. For renovation or expansion of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

RESPONSE:

Although this project does not include renovation, it does represent expansion of an existing licensed department of the hospital, the Emergency Department.

In Fiscal Year 2014, our Emergency Room visits were 51,209. Although Fiscal Year 2015 we had 54,461 ER visits, by the end of calendar year 2015 the total was 57,832. In this Fiscal Year (2016), we are projecting over 60,000 visits, representing at least a 17.2% increase since 2014. As indicated earlier, through process improvement, and by contracting with a new Emergency Room physician group we have reduced wait times significantly. Nevertheless, we are now in a position where we must expand the availability of emergency room beds to meet demand. Based on a standard of 1,500 visits per treatment room per year from the American College of Emergency Physicians, our current volume alone is sufficient to support 40 emergency treatment rooms. We currently have 27 ED beds, of which two are isolation beds and four are seclusion beds. As a result, we consistently have overflow in six beds in our hallways. With only 27 beds, a more reasonable level of visits would approximate 40,500.

Several factors have contributed to the growth in Emergency Department volume. Blount Memorial Hospital is a nationally certified stroke program through the Joint Commission. we offer state-of-the art heart attack treatment including a first-contact-to-balloon time averaging 30 minutes faster than the national standard. (In fact, Blount Memorial was the first hospital in the State to obtain a CON for a cardiac catheterization lab without an Open Heart program.) We have a Level III trauma center and a community-oriented emergency medical team with board certified emergency medicine physicians. Finally, we offer shorter wait times to be seen and treated.

According to Tennessee Hospital Association patient origin data, ER Visits in our service area including Blount, Loudon and Monroe Counties that are closest to the 411 site have grown 6.1% between the years of 2010 and 2014. Patients from these three counties represent 91% of the patient visits to our Emergency Department.

Utilizing ER use rates for the areas we serve, would expect the proposed free-standing ED to capture a portion of the patients that currently utilize the hospital's main campus ED. This would allow relief of the volume we currently experience that necessitates patients having to lie in stretchers in the halls of the Emergency Department. In addition, we project the site would help capture new volume attributable to population growth and an aging population in the area due to the convenience it offers to those who reside nearby. Specifically, we project the following volumes during the first two years of the project:

Projected Volume in the Proposed Free-Standing Emergency Department

	2018	2019
Year	Year 1	Year 2
Blount County Population	136,505	138,116
Projected ER Visits	67,584	68,381
<u>Projected ER Visits @ 411:</u>		
TOTAL BLOUNT	13,893	14,413
<hr/>		
Monroe County Population	49,048	49,559
Projected ER Visits	31,999	32,332
<u>Projected ER Visits @ 411:</u>		
TOTAL MONROE	3,174	3,319
<hr/>		
Loudon County Population	56,118	57,017
Projected ER Visits	33,564	34,102
<u>Projected ER Visits @ 411:</u>		
TOTAL LOUDON	1,360	1,412
<hr/>		
Total Projected Volume @ 411	18,427	19,144
Projected New Vol. at Main campus ER	45,227	45,784

Source: Population Data – University of TN Center for Business & Economic Research, The Haslam College of Business; Market Data - THA Market IQ Data Base

With the addition of the free-standing emergency department, we will have two functioning Emergency Department capabilities to better manage the volume of ER cases.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

RESPONSE:

This project does not include expansion of an existing physical site.

- 2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

RESPONSE:

The hospital purchased the 411 property in 2008 as part of our strategic planning efforts to locate services in this section of our home county where we did not have facilities.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 ½" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

RESPONSE:

Blount Memorial's Emergency Department treats individuals from Blount, Loudon, Monroe, Sevier, Knox, other TN counties, and out of State residents. For purposes of this project, given its location on 411, we assumed the population closest to the new site would represent the largest base of population served, hence we did not include individuals from other outlying areas that we also serve in our hospital based emergency room. Please refer to a county level map of the State of Tennessee in Appendix C – Need # 3.

4..A: Describe the demographics of the population to be served by this proposal.

RESPONSE:

Included in Appendix C- Need # 4 A, are current and population projections for Blount, Loudon, and Monroe Counties by age groups obtained from the University of TN, Center for Business & Economic Research, the Haslam College of Business. According to this source, Blount County's 2016 total population is estimated at 133,236, representing a growth of 8.3% since 2010, and is expected to grow 5% over the next four years. 19.7% of Blount's population is sixty-five plus years of age, and in 2020 this age group is expected to represent 22% of the population as a result of the 'baby boomers' and increased life expectancy. The breakdown by race shows that 3% of the county's population is Black, 3% are Hispanic, .8% is Asian, .4% is American Indian/Alaskan native, and 92.8% is White and other. Fifty-one percent of the population is female and 48.4% is male.

Comparatively, Loudon County's 2016 population is estimated at 54,261, representing a growth of 11.7% since 2010, and is expected to grow 6.7% over the next four years. 27.8% of Loudon County's population is sixty-five plus years of age, and in 2020 this age group is expected to represent 30.9% of the population as a result of the 'baby boomers' and increased life expectancy. The breakdown by race shows that 1.4% of the population is Black, 7.5% is Hispanic, .4% is American Indian/Alaskan native, .7% is Asian, and 90% is White and other. 51.1% of the population is female, and 48.9% is male.

According to the same source, Monroe County's 2016 total population is estimated at 47,980, representing a growth of 7.8% since 2010, and is expected to grow 4.3% over the next four years. 21.7% of Monroe's population is sixty-five plus years of age, and in 2020 this age group is expected to represent 24.7% of the populations as a result the 'baby boomers' and increased life expectancy. The breakdown by race shows that 2.3% of the county's population is Black, 3.5% is Hispanic, .5% is Asian, .6% is American Indian/Alaskan native, and 93.1% is White and other. 50.5% of the population is female and 49.5% is male.

In terms of the TennCare population, the TN Department of Health, TennCare Bureau statistics indicated that approximately 15% of Blount County's population are TennCare recipients, 15% in Loudon are TennCare recipients, and 20.9% of the population in Monroe

County are TennCare recipients. The U.S. Census Bureau data shows that the population percentage who are below poverty for each county is 14.0%, 14.3%, and 19.4% respectively for Blount, Loudon, and Monroe Counties. The Median income levels in 2010 dollars according to the US Census Bureau data are \$41,736 for Blount County, \$47,206 for Loudon County, and \$35,833 for Monroe County.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE:

The State of Tennessee ranks 43rd in the Nation in terms of poor health rankings according to America's Health Rankings 2015 Report. Like the State, our communities have a high incidence of obesity, diabetes, smoking, drug use, and poor mental health days. As a component of the hospital, the free-standing emergency department will accept all individuals regardless of ability to pay, plus the hospital participates in all local and state-wide TennCare MCO's, and the major Medicare Advantage programs.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

RESPONSE:

Not applicable.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project **utilization**. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE:

Blount Memorial Hospital ED visits for the past three fiscal years are as follows:

	For Fiscal Years Ending June 30,		
	<u>FY '13</u>	<u>FY'14</u>	<u>FY'15</u>
Emergency Visits	55,539	51,209	54,461

**Projected Volumes at BMH ED and Free-Standing ED
For**

First two Years following Completion

	<u>Year 1</u>	<u>Year 2</u>
Free-Standing ER Visits	18,427	19,144
BMH Main Campus ED	43,373	43,398

Projections for the Free-Standing ED were made on the assumption that the ED Use Rates in the three county area would be consistent for projected time period. The use rates, per THA Market IQ data, for the three county area are:

Emergency Room Use Rates/1000 Population

<u>Blount County</u>	<u>Monroe County</u>	<u>Loudon County</u>
495.1/1000	652.4/1000	598.1/1000

These rates were applied to the projected populations in each county, and the existing market share of these respective counties or zip codes were applied. It was assumed that a portion of the hospital-based ER visits would move to the new site ranging from 15% to 50% of the visits from select areas. In addition, based on population growth and an aging population, residents from these areas would also utilize this facility due to its convenient location. These figures are presented in Section C – Need under Item # 1 b. and are repeated below:

Projected Volume in the Proposed Free Standing Emergency Department

	2018	2019
<u>Year</u>	<u>Year 1</u>	<u>Year 2</u>
Blount County Population Proj.	136,505	138,116
Projected ER Visits	67,584	68,381
<u>Projected ER Visits @ 411:</u>		
TOTAL BLOUNT	13,893	14,413
Monroe County Population	49,048	49,559
Projected ER Visits	31,999	32,332
<u>Projected ER Visits @ 411:</u>		
TOTAL MONROE	3,174	3,319

Loudon County Population	56,118	57,017
Projected ER Visits	33,564	34,102
<u>Projected ER Visits @ 411:</u>		
TOTAL LOUDON	1,360	1,412
Total Projected Volume @ 411	18,427	19,144

In this analysis, it is assumed that 38% of the existing patients from Maryville zip codes 37801, 37802, and 37803 move from the hospital-based ED to the 411 site, and 50% will move to the 411 site from Friendsville area. In the Monroe County population, it is assumed that 50% of the population we already serve at the hospital will shift to the 411 site due to convenience of its location. In Loudon, we assumed that 50% of the residents who currently uses our ER will shift to this site for the convenience. Additional visits are attributable to a growing and aging population and convenience of the new location. Blount Memorial Hospital's Emergency Department market share of the three county area was 37% in 2014, 39% for one-half year in 2015, and is projected to be 42% in 2018.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee).

RESPONSE:

The cost of new construction per square foot for the free-standing ED is estimated to be \$250 compared to other free-standing ED applications that range from \$262 to \$288 for new and renovated spaces. *Please refer to the Project Costs Chart on the next page.*

The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

RESPONSE:

Not applicable.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment, federal, state, and local taxes and other government assessments; and installation

PROJECT COST CHART

A. Construction and equipment Acquired by purchase:	
1. Architectural & Engineering Fees	\$ <u>258,750</u>
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$ <u>31,000</u>
3. Acquisition of Site	\$ <u>0</u>
4. Preparation of Site	\$ <u>500,000</u>
5. Construction Costs	\$ <u>4,312,500</u>
6. Contingency Fund	\$ <u>862,500</u>
7. Fixed Equipment	\$ <u>0</u>
8. Moveable Equipment (List all equipment over \$50,000) SEE NEXT PAGE	\$ <u>1,904,894</u>
9. Other (Specify) _____	\$ <u>0</u>
B. Acquisition by Gift, donation, or lease:	
1. Facility (inclusive of building and land)	\$ <u>0</u>
2. Building only	\$ <u>0</u>
3. Land only	\$ <u>0</u>
4. Equipment (Specify) _____	\$ <u>0</u>
5. Other (Specify) _____	\$ <u>0</u>
C. Financing Costs and Fees:	
1. Interim Financing	\$ <u>0</u>
2. Underwriting Costs	\$ <u>0</u>
3. Reserve for One Year's Debt Service	\$ <u>0</u>
4. Other (Specify) _____	\$ <u>0</u>
D. Estimated Project Cost (A + B + C)	
	\$ <u>7,869,644</u>
E. CON Filing Fee	
	\$ <u>17,706.70</u>
F. Total Estimated Project Cost (D + E)	
	\$ <u>7,887,351</u>

#B 4 from Project Cost Chart

Equipment included in the "Moveable Equipment" amount on the Project Cost Chart

Laboratory Equipment	\$ 86,954
Radiology:	
- CT - \$650,000	
- Ultrasound - \$130,000	
- Digital x-ray - \$200,000	
- Portable X-ray - \$37,000	
- Tech/Rad workstations - \$34,000	
Total	\$1,051,000
Computers/carts/workstations/PACS View	
Kronos Clock/Network equipment/wiring/phone	
System/software	\$ 263,690
Exam Room set up/Furniture	\$ 503,250
TOTAL MOVEABLE EQUIPMENT COST	\$ 1,904,894

Continuation RESPONSE from Economic Feasibility # 1:

- charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

RESPONSE:

The fixed and moveable equipment costs are expected to be \$ 1,904,894 and include the following items:

Lab:

- Hematology cell count
- Blood Bank – Monitoring Refrigerator
- Microbiology – Strep A Ag
- Electronic simulator
- Evoqua Water System
- Refrigerator & smaller freezer
- Small benchtop centrifuge
- Interface /barcode printer/scanner for Sunquest Lab system
- Total - \$86,954

Radiology:

- CT
- Ultrasound
- Digital x-ray
- Portable x-ray
- Workstations for techs/Radiologists
- Total - \$1,051,000

Computers/software/wiring/workstations - \$263,690

Exam room set-up - \$364,000

Furniture - \$139,250

TOTAL- ALL FIXED AND MOVEABLE EQUIPMENT COSTS– \$1,904,894

- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

RESPONSE:

All construction related costs are provided by *Cooper Architecture* firm. Projected costs are included on the Project Costs Chart.

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility – 2*).

RESPONSE:

___ E. Cash Reserves – Appropriate documentation from Chief Financial Officer
Please refer to Appendix C, Attachment C, Economic Feasibility – 2, which has a letter from Blount Memorial Hospital's Chief Financial Officer, Mr. Jonathan Smith verifying that we have cash reserves for the project.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar project recently approved by the Health Services and Development Agency.

RESPONSE:

The construction cost of the project including construction, architectural and engineering fees, is expected to be \$7,838,644. The construction costs are comparative to other similar projects submitted to Health Services and Development Agency as listed on the "Applicant's Tool Box". Specifically, the Hospital Construction Cost Per Square Foot listed in the "Applicant's Tool Box" lists the Median cost per square foot for new construction at \$259.66 and the 3rd Quartile cost per square foot for new construction at \$296.52. The comparative costs per square foot for this project are as follows:

Construction cost/square Foot	\$ 250.
Construction & Site Preparation/Square Foot	\$ 278.99
Construction & Site Preparation & A & E Fees/Square Foot	\$ 293.99
Construction & Site Prep & A & E Fees & contingency/Square Foot	\$ 343.99

There are no clear data comparisons for the equipment we will need for the proposed free standing emergency room.

4. Complete Historical and Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart request information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

RESPONSE:

The Historical Data Chart and the Projected Data Charts are on the next two pages of this Certificate of Need. The historic data only reflects revenue from the ER level of treatment and does not include ancillary revenue as that revenue is placed in the respective ancillary department and cannot be distinguished from past data.

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HISTORICAL DATA CHART

Blount Memorial Emergency Department

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal years begins in July (Month).

	Year '13	Year '14	Year'15
A. Utilization Data (Specify unit of measure)ER Visits	55,539	51,209	54,461
B. Revenue from Service to Patients			
1. Inpatient Services	\$ 0	\$ 0	\$ 0
2. Outpatient Services	\$ 0	\$ 0	\$ 0
3. Emergency Services	<u>\$25,971,300.</u>	<u>\$25,314,709.</u>	<u>\$31,097,478</u>
4. Other Operating Revenue (Specify) _____	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Gross Operating Revenue	<u>\$25,971,300</u>	<u>\$25,214,709</u>	<u>\$31,097,478</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$18,527,146	\$18,376,480	\$22,663,842
2. Provisions for Charity Care	\$ 1,579,834	\$ 1,311,165	\$ 1,641,947
3. Provisions for Bad Debt	<u>\$ 410,347</u>	<u>\$ 484,122</u>	<u>\$ 572,194</u>
Total Deductions	<u>\$20,517,327</u>	<u>\$20,171,767</u>	<u>\$24,877,983</u>
NET OPERATING REVENUE	\$ 5,453,973	\$ 5,042,942	\$ 6,219,495
D. Operating Expenses			
1. Salaries & Wages \$ Benefits	\$ 4,946,478	\$ 4,951,602	\$ 4,905,150
2. Physician's Salaries & Wages	\$ 0	\$ 0	\$ 0
3. Supplies	\$ 503,900	\$ 507,874	\$ 534,265
4. Taxes	\$ 0	\$ 0	\$ 0
5. Depreciation	\$ 195,655	\$ 185,957	\$ 307,133
6. Rent	\$ 0	\$ 0	\$ 0
7. Interest, other than Capital	\$ 0	\$ 0	\$ 0
8. Management Fees:			
a. Fees to Affiliates(Medical Director fee)	\$ 32,887	\$ 67,150	\$ 109,200
b. Fees to Non-Affiliates	\$ 0	\$ 0	\$ 0
9. Other Expenses (Purch.Maint, cell phones, Office supplies, linen, cleaning, travel, misc.)	<u>\$ 69,587</u>	<u>\$ 91,608</u>	<u>\$ 119,413</u>
Total Operating Expenses	<u>\$ 5,748,507</u>	<u>\$ 5,804,191</u>	<u>\$ 5,975,141</u>
E. Other Revenue (Expenses) – Net	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NET OPERATING INCOME (LOSS)	<u>(\$ 294,534)</u>	<u>(\$ 761,249)</u>	<u>\$ 244,354</u>
F. Capital Expenditures			
1. Retirement of Principal	\$ 0	\$ 0	\$ 0
2. Interest	\$ 0	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	<u>(\$ 294,534)</u>	<u>(\$ 761,249)</u>	<u>\$ 244,354</u>

Projected Data Chart
Free-Standing Emergency Department

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>18,427</u>	<u>19,144</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>0</u>	<u>0</u>
2. Outpatient Services	<u>0</u>	<u>0</u>
3. Emergency Services	<u>\$35,822,088</u>	<u>\$38,345,432</u>
4. Other Operating Revenue (Specify) _____		
Gross Operating Revenue	<u>\$35,822,088</u>	<u>\$38,345,432</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$26,404,461</u>	<u>\$28,438,890</u>
2. Provision for Charity Care	<u>\$ 2,089,144</u>	<u>\$2,437,619</u>
3. Provisions for Bad Debts	<u>\$ 522,286</u>	<u>\$ 375,018</u>
Total Deductions	<u>\$29,015,891</u>	<u>\$31,251,527</u>
NET OPERATING REVENUE	<u>\$ 6,806,197</u>	<u>\$ 7,093,905</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	\$ 2,726,210	\$ 2,807,996
2. Physician's Salaries and Wages	0	0
3. Supplies	\$ 207,857	\$ 226,742
4. Taxes	\$ 0	\$ 0
5. Depreciation	\$ 432,544	\$ 432,544
6. Rent	\$ 0	\$ 0
7. Interest, other than Capital	\$ 0	\$ 0
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 55,000	\$ 55,000
b. Fees to Non-Affiliates		
10. Other Expenses (Specify) (See Next page)	<u>\$ 1,306,766</u>	<u>\$ 1,425,928</u>
Total Operating Expenses	<u>\$ 4,728,377</u>	<u>\$ 4,948,210</u>
E. Other Revenue (Expenses) – Net (Specify)	<u>\$ 0</u>	<u>\$ 0</u>
NET OPERATING INCOME (LOSS)	<u>\$ 2,077,820</u>	<u>\$ 2,145,695</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	\$ 243,691	\$ 243,691
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 1,834,129</u>	<u>\$ 1,902,004</u>

NOTE: Other expenses outlines in the Projected Data Chart

License fees for Radiology software/storage for data.

Laboratory supplies and reagents

Lab equipment rentals

IS Support software license fees for other

Pharmacy

Linen, cleaning, other

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

RESPONSE:

The average gross charge, average deduction from operating revenue, and average net charge per visit for the project are as follows:

	<u>Year 1</u>	<u>Year 2</u>
Average Gross Charge	\$1944	\$2003
Average Deduction from Operating Rev.	\$1574	\$1632
Average Net Charge	\$ 369	\$ 371

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

RESPONSE:

The current and proposed charge schedules for the proposal are as follows:

		<u>Proposed</u>	
	<u>Current</u>	<u>Year 1</u>	<u>Year 2</u>
Average ED Charge	\$1,852*	\$1,944	\$2003

Included in the free-standing ED is the average charge for the ED level of care and ancillary charges. The proposed free standing Emergency Department will not impact our current charges or the future ED and ancillary charges. Charges have little, if any, bearing on net revenue. Contractual arrangements, charity volume and TennCare reimbursement impact net revenue. (*Includes estimated ancillary charges)

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE:

The current and proposed charges by ED Levels are:

CPT Code	99281	99282	99283	99284	9285
Level	1	2	3	4	5
Current	\$189	\$378	\$562	\$752	\$940
Year 1	\$198	\$397	\$590	\$789	\$986
Year 2	\$204	\$408	\$608	\$813	\$1015

Current Medicare reimbursement by Emergency Room Acuity level is as follows:

Level	1	2	3	4	5
Medicare	\$50.23	\$92.75	\$166.	\$411.68	\$564.33

It is difficult to find comparative ED Charges, but in the CON presented by Sumner Regional Medical Center, the proposed average Gross charge was \$3,148 in Year 1 and \$3,195 in Year 2, compared to our proposed Average Gross Charge in Year 1 of \$1852 and Year 2 of \$2003 which includes the average ER Level charge and average ancillary charge.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

RESPONSE:

The proposed project is economically feasible. Emergency Services are essential to the community, and this proposal will enhance Blount Memorial's current service line by expanding the emergency department capacity off the main campus. This will allow decompression of services on the main hospital campus where expansion options are limited and more costly. Additionally, this will expand our Emergency Department capabilities in an area closer to the communities where Blount Memorial's patients primarily reside. As indicated in the Projected Data Chart, the volume of patients is sufficient to allow efficient operations. While initiation of this project will result in a 'loss' of revenues and volume at the main hospital campus, it will be offset by the resulting patient revenues attained at the free standing location on 411.

8. Discuss how financial viability will be ensured within two year; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

RESPONSE:

As indicated in the Projected Data Chart, the project is financially viable and will allow sufficient cash flow.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from

each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

RESPONSE:

Currently, Medicare and Medicare Advantage represents 31% of the Emergency Department payor mix, and TennCare represents 29% of the payor mix. Based on an aging population, we expect Medicare/Medicare Advantage could increase by as much as 14.6% by 2025. Unless the TennCare program is expanded, we believe it will grow less and only in proportion to the population already served. Estimated gross charges from Medicare and TennCare are estimated to be \$11,104,847 and \$10,388,405 respectively for the first year and \$11,887,084 and \$11,120,175 in year two of operation.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alphanumeric order and labeled as Attachment C, Economic Feasibility – 10.

RESPONSE:

Please find the audited financial statement for Fiscal Year 2015 in Appendix C, Attachment C, Economic Feasibility – 10.

11. Describe of alternative to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.
 - b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

RESPONSE:

We were not able to determine a less costly alternative to this project. Initially we examined expanding our existing Emergency Department on campus which would include renovation and remodeling of existing space (17,787 square feet) and new construction (14,428 square feet). That alternative would adversely impact the adjacent area of Radiology both in terms of space and the need for additional imaging equipment to accommodate the increased volume. Because this approach would entail renovation and expansion in an area that would have to continue to serve patients during this work, Cooper Architect indicated that it would take a minimum of two years to accomplish, but would not solve the problem of taking away space from Radiology that is very expensive to duplicate, assuming we even had space for

Radiology to expand. The cost for expanding at the main campus was estimated by Cooper Architect to be \$8,801,291 plus minimum equipment cost of \$853,894, and does not include additional imaging equipment as there would be no space to accommodate it. Another cost, though we cannot determine a dollar figure, is the disruption in service an on-campus renovation would create for a minimum of two years. Comparatively, the estimated cost of the proposed free standing Emergency Department (all related construction costs, equipment) is estimated to be \$7,838,644 and would not involve disruption of service as the construction would take place off site, and is estimated to be complete in less than a year.

Prior to considering expansion of the Emergency Department capability, we worked diligently with our Emergency Department physician group to improve patient flow and wait time to increase patient satisfaction and to allow the Department to manage the increased volume more effectively. This effort resulted in a significant improvement in the average door to physician time from 102 minutes to 21 minutes, with a median length of stay for discharged patients from 295 minutes to 148 minutes. We continue to work on improving this process, but now find that we need additional capacity – process improvement alone cannot accommodate the volume. This project addresses the site deficiency at the Hospital's main campus in a cost-effective manner that cannot be accomplished at the main campus. Additionally, overtime we plan to add primary care physician offices at the 411 location and the ancillary services at the free-standing emergency Department will be able to Accommodate the needs of practices.

Advantages of Expanding on Campus

Avoid some duplication of lab equipment

Disadvantages of Expanding on Campus

More costly than the 411 site

Disruption in service for at least two years

Disrupt Radiology department with no space for Radiology expansion

Advantages of 411 site for Free Standing Emergency Department

Less costly than expanding on campus

Doesn't take away space from Radiology department on campus

No disruption in service during construction

Services will compliment future physician offices at 411 site

Convenient access to a population we already serve

Off-load the volume from our campus facility

Disadvantages of 411 site for Free Standing Emergency Department

Need to duplicate Lab equipment

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g. hospitals, nursing homes, home care organizations, etc), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

RESPONSE:

Blount Memorial Hospital has the following contracts, transfer agreements with the following:

Hospitals

- University of TN Medical Center
- Covenant Health System (Ft. Sanders, Parkwest)
- Tennova Health System
- Childrens Hospital of East TN
- Bon Secours Richmond Health System – Children’s Hospital
- Vanderbilt Medical Center
- Erlanger Medical Center

Nursing homes/skilled care facilities/rehab

- Asbury Place
- Blount Memorial Transitional Care Center
- Kindred Transitional Care & Rehabilitation
- Shannondale of Maryville Health Care
- Patricia Neal Rehabilitation
- Select Specialty Care

Physician Service Contrast

- LeConte Radiology
- Blount Pathologists
- Maryville Anesthesiology
- Blount Hospitalists
- Align MD, Emergency Room Physician Services
- Vanderbilt Teleneurology

Other Services

- Medic
- Therapy Resource Center, PLLC – Rehab for skilled care
- Language Line Service, Inc.
- Visual Communication Interpreting (VCI)
- Knoxville Area Stone Center – Lithotripsy services
- Archer’s Home healthcare – HME for Hospice
- Blount Hearing and Speech
- Lifeline Medical
- Lincare – Hospice

- Lowe's Drugs – HME for Hospice
- Pdiatrix- Newborn Hearing Screening
- Regional Neonatal Associates – Neonatal Coverage
- Renal Management/Extra corporeal Technologies – Inpatient dialysis
- Sexual Assault Center
- Tennessee Donor Services
- Total Med Staffing – staffing option service
- Truststaff Travel Nurses- staffing option service
- Medical Solutions- staffing option service

Managed Care Contracts

- Aetna Health Plan
- BlueCross Blue Shield of TN
- AmeriaChoice
- TennCare Select
- Cover TN
- United healthCare
- Humana
- Coventry
- Beechstreet
- CIGNA
- Great West HealthCare
- GEHA
- Bluegrass Family Health
- Value Options Behavioral Health
- UBH Behavioral Health
- CHOICE Behavioral Health
- LifeSynch Behavioral Health
- Behavioral Health Systems
- Horizon
- Magellan Behavioral Health
- NovaNet
- Windsor Health Plan
- Sterling Health Plan

2. Describe the positive and/or negative effects of the proposal on the healthcare system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE:

The only provider impacted by this service is Blount Memorial Hospital. This project will serve to help off-load the volume at our Emergency Department located on our main campus. Further it will offer convenient service to a population we primarily serve, and will be a less costly alternative to attempting to expand on-site. With the addition of the free standing Emergency Department, we expect the total Emergency Department visits to approximate:

	Emergency Visits	
	Year 1	Year 2
Blount Memorial Main Campus	43,373	43,398
<u>Proposed 411 Site</u>	<u>18,427</u>	<u>19,144</u>
TOTAL	61,800	62,542

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of labor & Workforce Development and/or other documented sources.

RESPONSE:

The current and anticipated staffing pattern for all employees in the Emergency Room is as follows:

Position	Current FTE's	Proposed Staffing at both sites	
		Main Campus FTE's	Free-Standing FTE's
RN's	37.9	30.9	10.45
RN Team leader	3.7	3.7	0
Monitor Tech	6.1	5.1	4.2
CNA/EMT	19.25	15.25	4.2
Supervisor	2.6	2.6	4.2
Case Manager	2.4	2.4	1.0
Director	1.0	1.0	Same person
Trauma Coord./Educ.	3.9	3.9	0
CT Tech*	N/A		4.0
Ultrasound Tech*	N/A		4.0
Rad tech*	N/A		4.0
MT*	N/A		3.6
Lead tech*	N/A		1.0
<u>MLT*</u>	<u>N/A</u>		<u>.5</u>
TOTAL	76.85 FTE's	64.85 FTE's	41.15 FTE's

*These staff members are recorded in their respective departments today and can't be distinguished for the time they serve ER patients.

Blount Memorial utilizes two different sources to compare annual salaries to remain competitive. These include: Tennessee Hospital Association Compensation Survey and Towers Watson Healthcare Package Surveys.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of mental health and Developmental disabilities, and/or the Division of Mental Retardation Services licensing requirements.

RESPONSE:

Blount Memorial Hospital will utilize existing staff and will balance that with recruitment efforts. Since the main campus will see fewer patients, staff will be shifted to the proposed 411 site and any gaps in staffing will be recruited. We have competitive benefits and have successfully recruited the professional staff needed to provide care in an Emergency Department setting.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

RESPONSE:

Blount Memorial Hospital has reviewed and understands the licensure and certification requirements for medical and clinical staff. The Medical Staff Services office of the hospital checks that each medical staff member is properly licensed at the time of appointment, reappointment, when new clinical privileges are requested, and when their license is nearing expiration. The Human Resource staff checks license requirements for all clinical employed staff. The Hospital meets all Joint Commission/CMS requirements for medical staff credentialing and employed clinical staff and has corresponding policies and procedures to assure that requirements are met. As the proposed free standing Emergency Department will be an extension of the existing Emergency Department, all policies and procedures will apply. We intend to utilize the same ER Physician group that staff's the main campus Emergency Department – Align, MD who meet all requirements. Please see Appendix C – Contribution to the Orderly Development of Health Care- #5 for a copy of the Hospital's Quality Improvement Plan, Utilization Plan and Patient Rights and Responsibilities Policy.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work etc., (e.g. internships, residencies, etc).

RESPONSE:

Although we do not have a residency program at Blount Memorial Hospital, we do have Lincoln Memorial University (LMU) medical students who rotate with various members of the medical staff in their respective practice. In addition, we have medical students from the

University of Tennessee who rotate through our psychiatric unit as part of their rotation. We provide internships for RN students from LMU and the University of TN, and we provide training for Certified Nurse Assistants. Additionally, PT, OT and Speech Therapy students rotate through our Rehabilitation services from a variety of colleges as part of their practicum experience. We do provide a residency program for pharmacy students who have graduated from a variety of schools and who commit to a year of residency starting each July.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental health and Developmental disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

RESPONSE:

As an existing hospital facility, Blount Memorial is licensed by the Tennessee Department of Health, and has reviewed and understands the licensure requirements. The proposed free-standing Emergency Department that will operate 24 hours per day, seven days per week will be an extension of the existing Emergency Department and will be under the management and control of the hospital and hence all licensure requirements.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

RESPONSE:

Licensure: Board of Licensing Health Care Facilities, State of Tennessee, Department of Health.

Accreditation: Blount Memorial is accredited by The Joint Commission.

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

RESPONSE:

Please refer to Appendix C – Contribution to the Orderly Development of Health Care - # 7(c) for a copy of the hospital's current license which expires April 15, 2016.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

RESPONSE:

Please refer to Appendix C – Contribution to the Orderly Development of Health Care - # 7 (d) for the most recent report from the Department of Health and accompanying approved plan of correction.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such

information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE:

There have been no final orders or judgments entered in any state or country by a licensing agency or court against Blount Memorial Hospital or any entity or person with more than a 5% ownership.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

RESPONSE:

There have been no civil or criminal judgments against Blount Memorial or any entity or person with more than 5 percent ownership.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE:

Blount Memorial Hospital representatives will provide any information requested concerning the volume of patients treated, the number and type of procedures performed, and any other data requested by Tennessee Health Service and Development Agency.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609© provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): Assume June 22, 2016

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date</u> <u>(MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	<u>1</u>	<u>June 23, 2016</u>
2. <u>Construction documents approved by the</u> <u>Tennessee Dept of Health</u>	<u>240</u>	<u>2/18/17</u>
3. <u>Construction contract signed</u>	<u>1</u>	<u>2/19/17</u>
4. <u>Building permit secured</u>	<u>1</u>	<u>2/20/17</u>
5. <u>Site preparation completed</u>	<u>30</u>	<u>3/22/17</u>
6. <u>Building construction commenced</u>	<u>0</u>	<u>3/22/17</u>
7. <u>Construction 40% complete</u>	<u>150</u>	<u>8/19/17</u>
8. <u>Construction 80% complete</u>	<u>120</u>	<u>12/17/17</u>
9. <u>Construction 1105 complete (approved for occupancy)</u>	<u>90</u>	<u>3/17/18</u>
10. <u>*Issuance of license</u>	<u>30</u>	<u>4/16/18</u>
11. <u>*Initiation of service</u>	<u>1</u>	<u>4/17/18</u>
12. <u>Final Architectural Certificate of Payment</u>	<u>1</u>	<u>4/18/18</u>
13. <u>Final Project Report Form (HF0055)</u>	<u>29</u>	<u>5/17/18</u>

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF Tennessee
COUNTY OF Blount

Clare T. H. Nelson, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Clare T. H. Nelson, Assist. Administrator
SIGNATURE/TITLE

Sworn to and subscribed before me this 3 day of March, 2016 a Notary
(Month) (Year)

Public in and for the County/State of Blount/Tennessee



Stacy Hawkins
NOTARY PUBLIC

My commission expires 8/29, 2018
(Month/Day) (Year)

APPENDIX SECTION A
APPLICANT PROFILE SECTION

APPENDIX SECTION A - # 3

Charter of Incorporation

For

Blount Memorial Hospital

State of Tennessee



Department of State

I **Joe C. Carr**, Secretary of State of the
State of Tennessee, do hereby certify that the annexed Instrument
with Certificate of Acknowledgment was filed in my office and
recorded on the 22nd day of January 19 46
in Corporation Record Book MISCELLANEOUS A-3
page 358

In Testimony Whereof, I have hereunto subscribed my Official
Signature, and by order of the Governor, affixed the Great
Seal of the State of Tennessee, at
the Department in the City of
Nashville, this 22nd day of
January A.D. 19 46



Joe C. Carr
Secretary of State.

~~STATE OF TENNESSEE~~

CHARTER OF INCORPORATION

BE IT KNOWN, That we, George D. Roberts, A. D.
Huddleston, J. C. Gamble, O. W. Brumfield, V. J. Hultquist, James
W. King, J. T. Trotter, E. C. Brown and Homer A. Goddard, are
hereby constituted a body politic under the name and style of

BLOUNT MEMORIAL HOSPITAL, INCORPORATED

the principal office of which shall be in Blount County,
Tennessee, for the purpose of leasing, operating and/or maintain-
ing a general non-profit hospital to be operated in Blount
County, Tennessee.

The general powers of said corporation shall be, to
sue and be sued by the corporate name; to have and use a common
seal, which it may alter at pleasure; if no common seal, then
the signature of the name of the corporation by any duly
authorized officers shall be legal and binding; to purchase and
hold or receive by gift, bequest or devise, personal property
and real estate, and also to accept any real estate or personal
property in payment or in part payment of any debt due to the
corporation, and sell the same; to establish bylaws, and make
all rules and regulations not inconsistent with the laws and
Constitution deemed expedient for the management of corporate
affairs, and to select such subordinate officers and agents in
addition to a President, Vice President and Secretary and/or
Treasurer, as the business of the corporation may require,
designate the name of the office and fix the compensation of
such officers and agents.

The first Board of Directors of said Corporation shall
be composed of the nine incorporators in this Charter, but who

will within a reasonable time after the granting and recording of this Charter meet for the purpose of organization.

The first permanent Board of Directors shall be selected within ninety days after the granting of the Charter, and shall be composed of nine (9) members, who shall have been residents of Blount County, Tennessee for at least three years next before their election, and who shall be persons of business experience and moral integrity, and who shall be freeholders in Blount County, and which directors shall receive no compensation for their services as such. Four of the members of said first permanent Board of Directors shall be such persons who shall be elected by the Quarterly County Court of Blount County, Tennessee; two of the members thereof shall be such persons as are elected by the Board of Commissioners of the City of Alcoa, and who shall be residents of the City of Alcoa; two of the members thereof shall be such persons as are elected by the Board of Commissioners of the City of Maryville, and who shall be residents of the City of Maryville; and, one of such members shall be such person as is elected by the Board of Directors of Maryville College. The eventual term of the members of said Board of Directors shall be three years, but in order that the terms of said members shall not all expire simultaneously, it is provided hereunder that two of such persons as are elected by the Quarterly County Court, and the one person elected by the Directors of Maryville College shall serve for a term of one year; one of such persons elected by the Quarterly County Court, one of the persons elected by the Board of Commissioners of the City of Alcoa, and one of the persons elected by the Board of Commissioners of the City of Maryville, shall serve for a term of two years, and one of the persons elected by the Quarterly County Court, one of the persons elected by the Board of Commissioners of the City of Maryville, and one of the persons elected by the Board of Commissioners of the City of Alcoa shall serve for a term of three years.

At the expiration of the first terms of the first permanent Board of Directors, in the manner hereinabove set out, the members to be selected by the agencies above provided, shall be elected by such respective agencies for a term of three years each. In the event of a vacancy in the Board of Directors such vacancy shall be filled by the agency originally selecting such members.

Evidence of the election of the members by the different agencies as above provided, shall be by certified copy of a minute or resolution of such agencies.

Within a convenient time after the selections of the first permanent Board of Directors, such Board shall meet and elect a President, Vice President, Secretary and/or Treasurer, all of which, except the Secretary and/or Treasurer, shall be members of said Board, and the said Secretary and/or Treasurer may or may not be members of such Board, and shall select such other officers and/or agents as may be provided for by the bylaws adopted by said Board of Directors. In all meetings of said Board a majority of the members shall constitute a quorum for the transaction of business, and the result of any vote shall be determined by the vote of a majority of the votes cast. The regular meetings and special meetings of said Board of Directors shall be held when, and in the manner provided by the bylaws, and the Board of Directors shall keep a record of all of its proceedings. The Board of Directors shall not at any time incur any obligations unless the money for such expenditures is either in the treasury or has been bona fide pledged for such purpose. There shall be an annual audit of the books of the corporation by some recognized and competent auditing firm, a copy of which audit shall be furnished to the agencies selecting the Board of Directors.

The general welfare of society, not individual profit, is the object for which this charter is granted, and hence neither

the directors nor the agencies selecting them are stockholders in the legal sense of the term, and no dividends or profits shall be divided among them.

This charter may be modified or amended, or the corporation may at any time be voluntarily dissolved upon the affirmative vote of all the governmental agencies selecting the permanent Board of Directors, which vote shall be evidenced by resolution duly adopted by all of such agencies.

A violation of any of the provisions of this charter shall subject the corporation to dissolution at the instance of the State.

The means, assets, income or other property of the corporation shall not be employed directly or indirectly for any other purpose whatever than to accomplish the legitimate objects of its creation, and by no implication shall it possess the power to issue notes or currency, deal in currency, notes or coin, buy or sell products, or engage in any kind of trading operation.

We, the undersigned, hereby apply to the State of Tennessee by virtue of the laws of the land for a Charter of Incorporation for the purpose and with the powers declared in the foregoing instrument.

This 12th day of January, 1946.

Geo. B. Roberts ✓
A. J. Middleton
J. C. Gaudin
W. B. Brumfield
V. J. H. H. H. H.
J. J. H. H. H.
J. J. H. H. H.
J. J. H. H. H. ✓
W. C. Brown
W. C. Brown

STATE OF FLORIDA |
COUNTY OF MANATEE | SS.

Personally appeared before me, the undersigned authority, J. T. Trotter, who acknowledged that he executed the foregoing application for Charter of Incorporation for the purpose therein expressed.

Witness my hand and seal at office in Bradenton,, Florida on this the 12th day of January, 1946.

My commission expires:

Notary Public, State of Florida at Large
My commission expires March 20, 1948
Bonded by American Surety Co. of N.Y.

John Shepard
Notary Public

STATE OF TENNESSEE |
BLOUNT COUNTY | SS.

Personally appeared before me, the undersigned authority, George D. Roberts, A. D. Huddleston, J. C. Gamble, O. W. Brumfield, V. J. Hultquist, James W. King, E. C. Brown and Homer A. Goddard, who acknowledged that they executed the foregoing application for Charter of Incorporation for the purpose therein expressed.

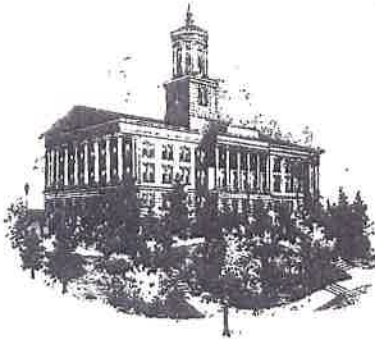
Witness my hand and seal at office in Maryville, Tennessee on this the 21st day of January, 1946.

My commission expires:

July 15, 1946

Billie M. White
Notary Public

State of Tennessee



Department of State

Certificate

The undersigned, as Secretary of State of the State of Tennessee, hereby certifies that the attached document was received for filing on behalf of

BLOUNT MEMORIAL HOSPITAL, INCORPORATED,

was duly executed in accordance with the Tennessee General Corporation Act, was found to conform to law, and was filed by the undersigned, as Secretary of State, on the date noted on the document.

Therefore, the undersigned, as Secretary of State, and by virtue of the authority vested in him by law, hereby issues this certificate and attaches hereto the document which was duly filed on October 24th, 19 84.



Yester Gannell
Secretary of State
Queth Coe
Deputy

FILED
SECRETARY OF STATE
1984 OCT 24 AM 10:50

THIS INSTRUMENT WAS PREPARED BY ARTHUR J. GODDARD
FIRST TENNESSEE BANK BLDG.
MARYVILLE, TENNESSEE

AMENDMENT TO THE CHARTER OF INCORPORATION OF
BLOUNT MEMORIAL HOSPITAL, INCORPORATED

KNOW ALL MEN BY THESE PRESENTS THAT WHEREAS, at a regular meeting of the Directors of Blount Memorial Hospital, Incorporated, held on the 23rd day of October, 1984, at Blount Memorial Hospital in Maryville, Blount County, Tennessee, the following resolution was adopted by affirmative vote of a majority of the Director of Blount Memorial Hospital, Incorporated, to-wit:

"RESOLUTION

BE IT RESOLVED by the Board of Directors of Blount Memorial Hospital, Incorporated, in regular session assembled on this 23rd day of October, 1984, that the Charter of Blount Memorial Hospital, Incorporated, be amended as follows:

That the following paragraph of the Charter of Incorporation of Blount Memorial Hospital, Incorporated, be stricken:

'At the expiration of the first terms of the first permanent Board of Directors, in the manner hereinabove set out, the members to be selected by the agencies above provided, shall be elected by such respective agencies for a term of three years each. In the event of a vacancy in the Board of Directors such vacancy shall be filled by the agency originally selecting such members.'

and that there be substituted in lieu thereof the following:

'As the terms of the present Board of Directors expire, the members of the Board of Directors to be selected by the agencies above provided shall be elected by such respective agencies for a term of three (3) years each in the manner hereinafter provided.

That in the event of a vacancy in the Board of Directors, such vacancy shall be filled by the agency originally selecting such member in the manner hereinafter provided.

All Directors of Blount Memorial Hospital, Incorporated, shall be nominated by a Nominating Committee as hereinafter designated, which nominations shall be made to the respective electing bodies on or before the 1st day of January of each year.

FILED
SECRETARY OF STATE

1984 OCT 24 AM 10:50

In the event of a vacancy in the Board of Directors, the Nominating Committee, as hereinafter provided, shall nominate to the respective electing bodies a Director to serve the unexpired term and which nomination shall be made within thirty (30) days after the occurrence of the vacancy.

The Nominating Committee shall be composed of seven (7) members, one (1) of whom shall be the President of the Board of Directors of Blount Memorial Hospital, Incorporated; of the remaining six (6) members, one shall be selected by the President or Chief Executive Officer of each of the following organizations: Blount County Medical Society, the largest industrial employer of Blount County, the largest labor union in Blount County, Blount County Farm Bureau; Blount County Chamber of Commerce; one of the following financial institutions: First Tennessee Bank, Maryville, First Federal Savings & Loan Association of Maryville, Blount National Bank of Maryville, Citizens Bank of Blount County, and American Fidelity Bank, or the successor of any of said financial institutions herein named, who shall serve a term of one (1) year on a rotating basis in the order named. All members of the Nominating Committee shall be residents of Blount County, Tennessee.

The President of the Board of Directors of Blount Memorial Hospital, Incorporated, shall be the permanent Chairman of the Nominating Committee and shall annually convene the Nominating Committee for the purpose of making nominations to the respective electing bodies and shall also convene the Nominating Committee to nominate any vacancies which may occur in the Board of Directors of Blount Memorial Hospital, Incorporated. The Chairman shall be obligated to convene the Nominating Committee into session upon the request of four (4) members of the Nominating Committee.

In the event the Nominating Committee should fail or refuse to nominate a Director by the time herein specified, the electing body shall be free to select and elect a Director by nominations from the floor or by nomination by a standing Committee of the electing body and without reference to the Nominating Committee herein created.

In the event the electing body should decline to elect the person nominated by the Nominating Committee, the Nominating Committee shall immediately be reconvened and shall submit a new nomination to the electing body within thirty (30) days after the nominee has been turned down by the electing body.

FILED
SECRETARY OF STATE

1984 OCT 24 AM 10:50

All provisions of the original charter of incorporation not inconsistent herewith shall remain in full force and effect.'

BE IT FURTHER RESOLVED that the President and Secretary of Blount Memorial Hospital, Incorporated, are hereby authorized and directed to apply for and obtain an amendment to the Charter of Incorporation of Blount Memorial Hospital, Incorporated, as hereinabove set out."

WHEREAS, the Charter of Blount Memorial Hospital, Incorporated, provides that the charter may be amended upon the affirmative vote of all of the governmental agencies selecting the permanent Board of Directors, which vote shall be evidenced by resolution duly adopted by all of such agencies; and

WHEREAS, the governmental agencies electing the permanent Board of Directors are the Legislative Body of Blount County, Tennessee, the City Council of the City of Maryville and the City Commission of the City of Alcoa; and

WHEREAS, each governmental agency has adopted a similar resolution to that hereinabove, as evidenced by certified copies of the resolutions attached hereto of each of the governmental agencies.

NOW THEREFORE, for and in consideration of the premises and in accordance with the Board of Directors and the concurring resolutions of all three of the governmental agencies electing the permanent Board of Directors, we, the undersigned, do hereby certify that we are the duly elected and constituted President and Secretary, respectively, of Blount Memorial Hospital, Incorporated, and we further certify that the resolution hereinabove set out was duly and regularly passed by a majority of the Board of Directors held on the 23rd day of October, 1984, and we hereby apply to the State of Tennessee, pursuant to the general laws the State, for an amendment to the Charter of Incorporation of Blount Memorial Hospital, Incorporated, for the

FILED
SECRETARY OF STATE

1984 OCT 24 AM 10:50

purposes set out and expressed in said resolution hereinbefore set out.

IN WITNESS WHEREOF, we have set our hands and seals on the 23rd day of October, 1984.

Edward J. Price
President, Blount Memorial
Hospital, Incorporated

J. Frank Weisame
Secretary, Blount Memorial
Hospital, Incorporated

900 New Walland Highway
Maryville, Tennessee 37801

APR 27 11:10:18
J. M. GIBBS
SECRETARY OF STATE

THIS INSTRUMENT WAS PREPARED BY ARTHUR B. GODDARD
FIRST TENNESSEE BANK BLDG.
MARYVILLE TENNESSEE

AMENDMENT TO THE CHARTER OF INCORPORATION OF
BLOUNT MEMORIAL HOSPITAL, INCORPORATED

70

KNOW ALL MEN BY THESE PRESENTS, THAT WHEREAS, at a regular meeting of the Board of Directors of Blount Memorial Hospital, Incorporated, held on the 24th day of March, 1992, at Blount Memorial Hospital in Maryville, Blount County, Tennessee, the following resolution was adopted by the affirmative vote of a majority of the Directors of Blount Memorial Hospital, Incorporated, to-wit:

"RESOLUTION

BE IT RESOLVED by the Board of Directors of Blount Memorial Hospital, Incorporated, in regular session assembled on this the 24th day of March, 1992, that the Charter of Blount Memorial Hospital, Incorporated, be amended as follows:

By striking that portion of the first paragraph of the Charter of Incorporation appearing after the words

'BLOUNT MEMORIAL HOSPITAL, INCORPORATED'
and inserting in lieu thereof the following:
'the principal office of which shall be in Blount County, Tennessee, for the purpose of leasing, operating and/or maintaining a general non-profit hospital and associated and related programs and facilities.'

All provisions of the original charter of incorporation, as heretofore amended, not inconsistent herewith shall remain in full force and effect.

BE IT FURTHER RESOLVED that the President and Secretary of Blount Memorial Hospital, Incorporated, are hereby authorized and directed to apply for and obtain an amendment to the Charter of Incorporation of Blount Memorial Hospital, Incorporated, as hereinabove set out."

WHEREAS, the Charter of Blount Memorial Hospital, Incorporated, provides that the charter may be amended upon the affirmative vote of all of the governmental agencies selecting the permanent Board of Directors, which vote shall be evidenced by resolution duly adopted by all of such agencies; and

93 MAY 27 11:10:18

SECRETARY OF STATE

WHEREAS, the governmental agencies electing the permanent Board of Directors are the Legislative Body of Blount County, Tennessee, the City Council of the City of Maryville, and the City Commission of the City of Alcoa; and

WHEREAS, each governmental agency has adopted a similar resolution to that hereinabove, as evidenced by certified copies of the resolutions attached hereto of each of the governmental agencies.

NOW THEREFORE, for and in consideration of the premises and in accordance with the resolution of the Board of Directors and the concurring resolutions of all three of the governmental agencies electing the permanent Board of Directors, we, the undersigned, do hereby certify that we are the duly elected and constituted President and Secretary, respectively, of Blount Memorial Hospital, Incorporated, and we further certify that the resolution hereinabove set out was duly and regularly passed by a majority of the Board of Directors held on the 24th day of March, 1992, and we hereby apply to the State of Tennessee, pursuant to the general laws of the State, for an amendment to the Charter of Incorporation of Blount Memorial Hospital, Incorporated, for the purposes set out and expressed in said resolution hereinbefore set out.

IN WITNESS WHEREOF, we have hereunto set our hands and seals on the 25 day of May, 1993.

Robert P. Redwine

President, Blount Memorial Hospital, Incorporated

Joseph M. Danner

Secretary, Blount Memorial Hospital, Incorporated

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APPENDIX SECTION A - # 6

Title/Deed for 411 Property

THIS INSTRUMENT PREPARED BY:
Long, Ragsdale & Waters, P.C.
1111 Northshore Drive, Suite S-700
Knoxville, TN. 37919

CLT CODE: Map 68, Parcel 49.00

SEND TAX BILLS TO:
Blount Memorial Hospital, Incorporation
907 E. Lamar Alexander Parkway
Maryville, Tennessee 37804

PROPERTY ADDRESS:
Highway 411 South
Maryville, Tennessee 37801

WARRANTY DEED

THIS INDENTURE, is made as of the 21 day of February, 2008, between
KFDR, LLC

A Tennessee limited liability company, Grantor, and

BLOUNT MEMORIAL HOSPITAL, INCORPORATED

a Tennessee corporation, Grantee,

WITNESSETH: that said Grantor, for and in consideration of the sum of ONE AND 00/100 DOLLAR (\$1.00) cash, and other good and valuable consideration, to it in hand paid by Grantee, the receipt of which is hereby acknowledged, has granted, bargained, sold and conveyed, and does hereby grant, bargain, sell and convey unto the said Grantee the following described premises, to wit:

SITUATED in the Sixth (6th) Civil District of Blount County, Tennessee and being within the Sixth (6th) Ward of the City of Maryville, Tennessee and being all of Lot 2, as shown on the final plat of the Shops at Royal Oaks, filed for record as Instrument No. 2321A, in the office of the Blount County Register of Deeds, to which plat specific reference is hereby made for a more particular description of said lot.

TOGETHER WITH nonexclusive easements for ingress and egress, utilities and storm drainage, all as granted and particularly described in Easements with Covenants and Restrictions Affecting Land, filed for record in Record Book 2116, page 1791, as amended by First Amendment to the Easements with Covenants and Restrictions Affecting Land dated of June 13, 2007, filed for record in Record Book 2160, pages 2162-2170, as amended by Second Amendment to the Easements with Covenants and Restrictions Affecting Land dated 2/12, 2008, filed for record in Record Book 2188, page 1835 all in the office of the Blount County Register of Deeds, to which instrument specific reference is hereby made for a more particular description of such easements.

BEING a portion of the property conveyed to KFDR, LLC by Quitclaim Deed dated June 2, 2006, from KF, LLC, a Tennessee limited liability company, of record in Record Book 2110, Page 2435, in the Register's Office of Blount County, Tennessee.

with the hereditaments and appurtenances thereto appertaining, hereby releasing all claims to homestead and dower therein.

TO HAVE AND TO HOLD the said premises to the said Grantee, their heirs and assigns forever.

THIS CONVEYANCE is made subject to all applicable easements, restrictions and building set back lines of record.

Blount County Tennessee
Record Book 2188 Page 1843-1844
Recorded at 2:22 PM
2/25/2008
Instrument #: 553673
Total: 10.00
State: 0.00
City: 0.00
EDP: 2.00
Rec'd: 347923

THE PREPARER OF THIS DEED MAKES NO REPRESENTATION AS TO THE STATUS OF THE TITLE TO THE PROPERTY DESCRIBED HEREIN. THIS DEED HAS BEEN PREPARED SOLELY FROM INFORMATION FURNISHED TO THE PREPARER WHO MAKES NO REPRESENTATION OTHER THAN THAT IT HAS BEEN ACCURATELY TRANSCRIBED FROM INFORMATION PROVIDED.

And said Grantor, for itself and for its successors, assigns, heirs, executors and administrators do hereby covenant with said Grantee, its successors, assigns, and heirs, that it is lawfully seized in fee simple of the premises above conveyed and has full power, authority and right to convey the same, and that said premises are free from all encumbrances except encumbrances of record and 2008 property taxes which are to be prorated between the parties hereto and which the Grantee herein assumes and agrees to pay, and that they will forever warrant and defend the said premises and the title thereto against the lawful claims of all persons whomsoever.

Whenever in this instrument a pronoun is used it shall be construed to represent either singular or plural, as the case may demand.

IN WITNESS WHEREOF, the undersigned hereby executes this Warranty Deed as of the day and year first written above.

KFDR, LLC

By: 

Steve H. Kirkham, President

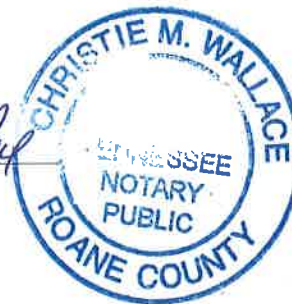
STATE OF TENNESSEE

COUNTY OF ROANE

Before me, a notary public of the state and county aforesaid, personally appeared **Steve H. Kirkham**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath acknowledged himself to be the **President of KFDR, LLC**, the within named bargainor, a Tennessee limited liability company, and that he as such President, being authorized so to do, executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself as such President.

WITNESS my hand and seal this 21st day of FEBRUARY, 2008.


Notary Public



My Commission Expires: 3/31/10

STATE OF TENNESSEE

COUNTY OF Blount

I hereby swear or affirm that the actual consideration or true value of this transfer, whichever is greater, is **EXEMPT**.

Sworn to and subscribed before me, this 25 day of February, 2008.


Notary Public

My Commission Expires: 10/04/10

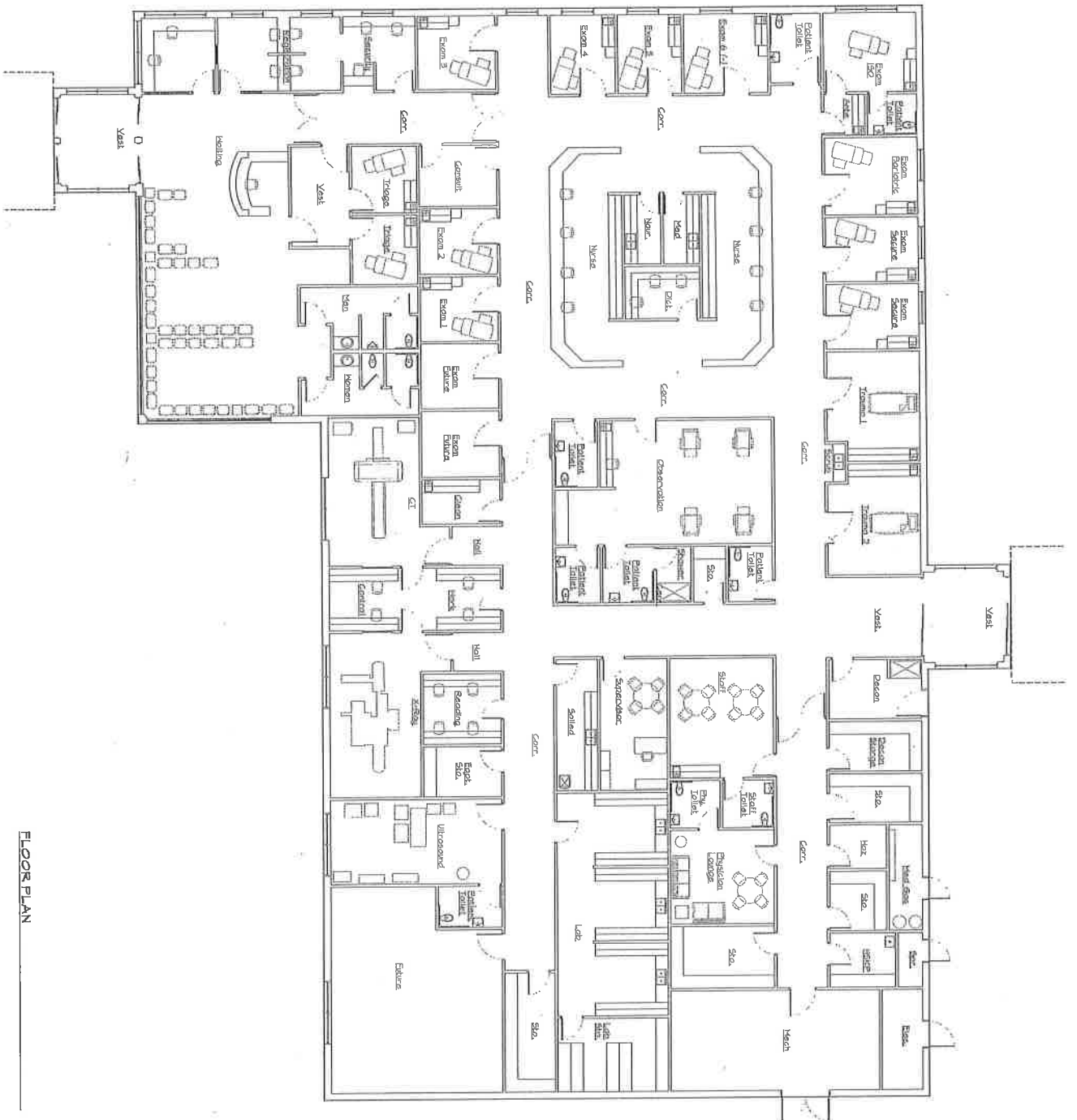


APPENDIX SECTION B

PROJECT DESCRIPTION

APPENDIX SECTION B – II A

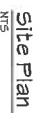
Facility Drawing/Floor Plan



FLOOR PLAN

APPENDIX SECTION B – III A

Plot Plan



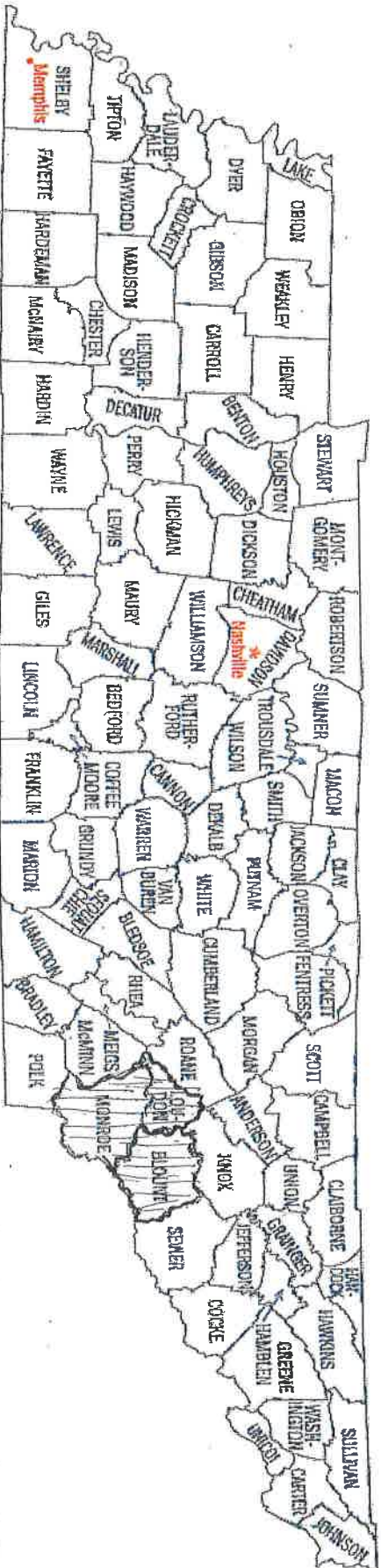
APPENDIX SECTION C

GENERAL CRITERIA FOR CERTIFICATE OF NEED

APPENDIX SECTION C – NEED - # 3

State of Tennessee Map

Tennessee County Selection Map



APPENDIX SECTION C – NEED - # 4 A

Population Projections

For

Blount, Loudon, and Monroe County

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Blount	5 to 9	7614	7483	7581	7619	7538	7494	7397	7238	7134	7070	7099	
Blount	10 to 14	7957	8205	8248	8359	8444	8456	8320	8421	8460	8372	8323	
Blount	15 to 19	7981	8324	8589	8658	8889	9040	9284	9319	9426	9507	9511	
Blount	20 to 24	6925	7029	7289	7709	8064	8311	8642	8898	8963	9192	9336	
Blount	25 to 29	6615	6520	6323	6231	6199	6376	6475	6725	7128	7464	7702	
Blount	30 to 34	6992	7039	7180	7120	7029	6734	6640	6449	6360	6328	6504	
Blount	35 to 39	8048	7640	7319	7254	7252	7366	7421	7572	7521	7437	7148	
Blount	40 to 44	8757	8893	8958	8911	8743	8527	8110	7783	7721	7727	7849	
Blount	45 to 49	9518	9569	9535	9358	9210	9205	9339	9399	9346	9165	8937	
Blount	50 to 54	9121	9290	9484	9651	9846	9880	9914	9865	9680	9521	9520	
Blount	55 to 59	8632	8829	9002	9165	9353	9495	9660	9849	10007	10193	10218	
Blount	60 to 64	8231	8702	8686	8722	8806	9073	9280	9467	9636	9824	9969	
Blount	65 to 69	6631	6755	7319	7749	8222	8581	9047	9036	9089	9195	9470	
Blount	70 to 74	4809	5106	5463	5895	6205	6546	6671	7242	7668	8128	8480	
Blount	75 to 79	3432	3599	3742	3974	4167	4313	4578	4893	5288	5562	5861	
Blount	80 to 84	2545	2539	2601	2620	2694	2823	2954	3072	3260	3419	3542	
Blount	85 and up	2353	2510	2595	2726	2834	2933	3009	3081	3159	3263	3401	
TOTALS		123010	124785	126505	128204	129901	131578	133236	134882	136505	138116	139725	

Source: University of Tennessee Center for Business & Economic Research, The Haslam College of Business

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Loudon	under 5	2560	2567	2521	2481	2492	2468	2508	2552	2600	2639	2685
Loudon	5 to 9	2663	2644	2675	2734	2757	2768	2778	2734	2697	2712	2694
Loudon	10 to 14	2889	2886	2915	2929	2897	2918	2902	2935	2993	3017	3029
Loudon	15 to 19	2748	2921	3039	3044	3103	3139	3134	3164	3178	3148	3171
Loudon	20 to 24	2230	2240	2305	2432	2551	2726	2884	2989	2993	3049	3083
Loudon	25 to 29	2276	2263	2209	2180	2197	2152	2161	2220	2337	2448	2606
Loudon	30 to 34	2372	2421	2433	2500	2448	2420	2407	2360	2331	2351	2311
Loudon	35 to 39	2879	2752	2670	2547	2557	2559	2612	2627	2698	2650	2621
Loudon	40 to 44	3026	3049	3086	3142	3145	3081	2951	2868	2750	2763	2771
Loudon	45 to 49	3274	3310	3234	3212	3155	3165	3189	3222	3280	3277	3212
Loudon	50 to 54	3578	3534	3601	3584	3535	3512	3538	3458	3428	3364	3371
Loudon	55 to 59	3506	3592	3657	3742	3892	3943	3901	3968	3948	3900	3873
Loudon	60 to 64	4121	4277	4164	4042	4018	4110	4207	4287	4381	4529	4588
Loudon	65 to 69	3658	3804	4202	4513	4767	4950	5135	5028	4931	4936	5050
Loudon	70 to 74	2762	3016	3268	3526	3720	3945	4098	4523	4840	5103	5297
Loudon	75 to 79	1846	1959	2079	2264	2419	2584	2806	3033	3278	3453	3654
Loudon	80 to 84	1085	1162	1237	1317	1410	1510	1598	1694	1843	1968	2103
Loudon	85 and up	1083	1137	1193	1250	1315	1374	1452	1530	1612	1710	1804
TOTALS		48556	49534	50488	51439	52378	53324	54261	55192	56118	57017	57923

Source – University of Tennessee Center for Business & Economic Research, The Haslam College of Business

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Monroe	under 5	2662	2613	2502	2388	2332	2293	2304	2318	2329	2343	2358
Monroe	5 to 9	2932	2939	3000	2986	2966	2919	2869	2758	2648	2595	2559
Monroe	10 to 14	2831	2883	2934	3079	3163	3181	3187	3249	3236	3212	3163
Monroe	15 to 19	2851	2879	2926	2939	2911	2990	3044	3092	3235	3319	3338
Monroe	20 to 24	2332	2372	2445	2516	2633	2730	2754	2795	2809	2786	2863
Monroe	25 to 29	2346	2298	2267	2230	2194	2156	2189	2257	2323	2431	2523
Monroe	30 to 34	2506	2544	2481	2456	2412	2308	2262	2235	2199	2164	2129
Monroe	35 to 39	2817	2653	2559	2498	2505	2555	2594	2532	2507	2464	2365
Monroe	40 to 44	3088	3095	3085	3074	2999	2901	2733	2641	2580	2589	2637
Monroe	45 to 49	3156	3192	3239	3191	3172	3183	3190	3178	3166	3090	2991
Monroe	50 to 54	3215	3268	3246	3283	3294	3312	3342	3385	3330	3308	3318
Monroe	55 to 59	3120	3197	3283	3355	3423	3463	3516	3490	3525	3535	3549
Monroe	60 to 64	3345	3467	3438	3463	3462	3510	3598	3692	3771	3839	3885
Monroe	65 to 69	2757	2907	3164	3296	3488	3698	3831	3804	3836	3850	3912
Monroe	70 to 74	1841	1984	2170	2440	2640	2739	2880	3144	3286	3473	3675
Monroe	75 to 79	1225	1293	1376	1442	1533	1650	1776	1936	2173	2344	2432
Monroe	80 to 84	785	796	820	855	911	971	1017	1082	1136	1209	1303
Monroe	85 and up	710	753	778	806	831	862	894	923	959	1008	1062
TOTALS		44519	45133	45713	46297	46869	47421	47980	48511	49048	49559	50062

Source -- University of Tennessee Center for Business & Economic Research, The Haslam College of Business

APPENDIX SECTION C

ATTACHMENT C – Economic Feasibility - 2

Letter from CFO



**Blount Memorial
Hospital**

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

Robert Redwine
President of the Board

Dr. Ted Flickinger
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niehammer
Vice Chief of Staff

March 1, 2016

Melanie M. Hill
Executive Director
TN Health Services & Development Agency
502 Deaderick Street
Andrew Jackson Building – 9th Floor
Nashville, TN 37243

Dear Ms. Hill:

Please be advised that Blount Memorial Hospital has sufficient cash reserves to fund the construction and operation of the proposed free-standing Emergency Department. The ED will operate under the license of Blount Memorial Hospital and serve as an extension of the existing main campus ED.

Please don't hesitate to contact me should you have any questions.

Sincerely,

Jonathan Smith, CFO

APPENDIX SECTION C
ATTACHMENT C – Economic Feasibility - 10
Blount Memorial Hospital
Audited Financial Statements – Fiscal Year 2015

Annual Financial Report

Blount Memorial
Hospital, Inc.

*Years ended June 30, 2015 and 2014
with Report of Independent Auditors*

Blount Memorial Hospital, Inc.

Annual Financial Report

Years ended June 30, 2015 and 2014

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Statements of Cash Flows	11
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Report of Independent Auditors on Internal Control over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33



Report of Independent Auditors

To Management and the Board of Directors of
Blount Memorial Hospital, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Blount Memorial Hospital, Inc. (the Hospital), a component unit of the County of Blount, Tennessee, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To Management and the Board of Directors of
Blount Memorial Hospital, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Blount Memorial Hospital, Inc. as of June 30, 2015 and 2014, and the changes in its net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2015 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
September 10, 2015

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis

This section of Blount Memorial Hospital, Inc.'s annual financial report presents management's discussion and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2015 and 2014. The information contained herein should be considered in conjunction with the Hospital's accompanying financial statements. Unless otherwise indicated, amounts are in thousands.

Overview of the Financial Statements

The Hospital is a component unit of Blount County, Tennessee, and the accompanying financial statements reflect the Hospital's net position and activities. These financial statements consist of statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows. The accompanying notes to the financial statements are an integral part of the financial statements and are essential to understanding the data contained in the financial statements.

The statements of net position provide descriptions of the Hospital's assets and liabilities and an indication of the Hospital's financial position. The statements of revenue, expenses and changes in net position report the revenues and expenses related to the Hospital's activities. The statements of cash flows report the cash provided and used by operating, investing, capital, financing and other activities. The financial information herein is presented at a summarized level for analysis purposes only.

Financial Highlights

Condensed financial information as of and for the years ended June 30, 2015, 2014 and 2013 is provided in the tables below.

	2015	2014	2013
Assets:			
Current assets	\$ 34,327	\$ 36,458	\$ 37,904
Assets limited as to use	107,213	109,909	108,244
Property and equipment, net	126,780	124,704	126,387
Other	8,104	8,273	9,139
Total assets	<u>\$276,424</u>	<u>\$279,344</u>	<u>\$281,674</u>
Deferred outflows of resources--accumulated decrease in fair value of interest rate swaps	<u>\$ 11,146</u>	<u>\$ 10,405</u>	<u>\$ 9,994</u>

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis (continued)

Financial Highlights (continued)

	2015	2014	2013
Liabilities:			
Current liabilities	\$ 24,013	\$ 22,847	\$ 23,862
Bonds payable	81,949	86,041	92,510
Interest rate swap liabilities	11,146	10,405	9,994
Total liabilities	<u>\$117,108</u>	<u>\$119,293</u>	<u>\$126,366</u>
Net position:			
Net investment in capital assets	\$ 40,739	\$ 34,491	\$ 32,465
Restricted, nonexpendable	1,075	1,060	936
Unrestricted	128,648	134,905	131,901
Total net position	<u>\$170,462</u>	<u>\$170,456</u>	<u>\$165,302</u>
Changes in net position:			
Operating revenues	\$233,281	\$221,270	\$206,859
Operating expenses	230,469	222,729	210,618
Operating income (loss)	2,812	(1,459)	(3,759)
Nonoperating (expenses) revenues	(2,806)	6,613	(3,871)
Increase (decrease) in net position	<u>\$ 6</u>	<u>\$ 5,154</u>	<u>\$ (7,630)</u>

Current Assets

Current assets decreased from 2014 to 2015 from \$36,458 to \$34,327. The cash position decreased from \$7,433 to \$4,809 during the fiscal year along with an increase in accounts receivable from \$23,278 to \$23,575. Inventories increased from \$3,169 to \$3,793 due to the acquisition of Maryville Surgical Center, LLC which more detail is found in note 5 to the financial statements.

Assets Limited as To Use

Assets limited as to use decreased from \$109,909 to \$107,213 during the fiscal year. Unfavorable investment returns drove the changes.

Net Position

Overall, the Hospital's net position increased from \$170,456 to \$170,462 during the fiscal year. In note 12 to the financial statements, the blended component units that make up Blount Memorial Hospital, Inc. are displayed in more detail.

The statements of cash flows and Notes 6 and 8 to the financial statements provide additional information regarding capital additions, bonds and related cash flows.

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis (continued)

Financial Highlights (continued)

Results of Operations

Operating revenues and expenses are as follows for the years ended June 30, 2015, 2014 and 2013.

	2015	Relative %	2014	Relative %	2013	Relative %
Net patient service revenue	\$191,870	82%	\$182,815	83%	\$175,214	85%
Other revenue	41,411	18%	38,455	17%	31,645	15%
Total operating revenues	<u>\$233,281</u>	<u>100%</u>	<u>\$221,270</u>	<u>100%</u>	<u>\$206,859</u>	<u>100%</u>
Salaries and wages	\$111,532	48%	\$105,021	47%	\$ 99,360	47%
Employee benefits	25,197	11%	25,419	12%	27,364	13%
Contract salaries	913	1%	3,027	1%	2,558	1%
Professional fees	4,593	2%	4,033	2%	4,352	2%
Patient supplies	35,876	16%	34,170	15%	32,046	15%
Purchased maintenance	9,065	4%	9,514	4%	7,862	4%
Outside services	7,228	3%	6,598	3%	6,607	3%
Equipment rental	2,616	1%	2,982	1%	2,809	2%
Utilities	4,976	2%	4,982	2%	4,476	2%
Marketing	1,045	1%	964	1%	833	0%
Depreciation and amortization	17,225	7%	16,152	7%	13,179	6%
Other expenses	10,203	4%	9,867	5%	9,172	5%
Total operating expenses	<u>\$230,469</u>	<u>100%</u>	<u>\$222,729</u>	<u>100%</u>	<u>\$210,618</u>	<u>100%</u>
Interest expense	\$ (2,220)	(79)%	\$(2,726)	(41)%	\$ (3,705)	(96)%
Investment (loss) income	(1,068)	(38)%	7,912	120%	(662)	(17)%
Contributions and other	482	17%	1,427	21%	496	13%
Total nonoperating (expenses) revenues	<u>\$ (2,806)</u>	<u>(100)%</u>	<u>\$ 6,613</u>	<u>100%</u>	<u>\$ (3,871)</u>	<u>(100)%</u>

Changes in patient volumes have resulted in an increase in net patient service revenue of 5.0% from 2014 to 2015. Hospital fees and rates have increased each year but a significant portion of the price increases are not reimbursed by the Hospital's largest third-party payors such as Medicare and TennCare.

Total operating revenues and expenses have increased 5.4% and 3.5%, respectively, from 2014 to 2015.

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis (continued)

Financial Highlights (continued)

Results of Operations (continued)

Operating income posted at \$2,812 for the year was an increase of \$4,271 over the prior year.

Interest expense in 2015 declined to \$2,220 after refunding bonds during the prior fiscal year.

Other Changes in Net Position

The Hospital experienced investment loss of \$1,068 in 2015 and investment income of \$7,912 in 2014. The changes in fair value of investments in both years were due to the changes in the market.

Capital Acquisitions and Construction Activities

Note 6 to the financial statements summarizes property and equipment by class and changes for the years ended June 30, 2015 and 2014. Additional information regarding accounting policies for capital assets is provided in Note 1 to the financial statements.

Total property and equipment increased from \$124,704 to \$126,780 during the fiscal year. Construction in progress at June 30, 2015 consists of facility upgrades. The hospital recorded Health Information Technology for Economic and Clinical Health Act ("HITECH") related incentive payments of \$2,247 and \$932 during fiscal year 2015 and 2014, respectively. Note 3 to the financial statements discusses the Hospital's meaningful use initiatives in more detail.

Long-Term Debt Activity

The Series 2013A bonds bear interest at a variable rate. Bonds totaling \$25,000 are subject to an interest rate swap agreement which fixes the rate at 4.9%. An additional portion of the bonds totaling \$30,700 are subject to an interest rate swap agreement which fixes the rate at 4.33%. The balance outstanding at June 30, 2015 and 2014 was \$82,550 and \$85,925, respectively. Principal payments totaled \$3,375 on the Series 2013A bonds during 2015.

The Series 2014 bonds bear interest at a fixed rate of 1.68%. The balance outstanding at June 30, 2015 and 2014 was \$3,491 and \$4,288, respectively. Principal payments totaled \$797 on the Series 2014 bonds during 2015.

Blount Memorial Hospital, Inc.
Management's Discussion and Analysis (continued)

Requests for Information

The annual financial report is designed to provide an overview of the Hospital's financial position and activity. Questions concerning the information provided herein or requests for additional information should be directed to the Assistant Administrator/Chief Financial Officer of Blount Memorial Hospital, Inc.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Jonathan Smith". The signature is fluid and cursive, with the first name "Jonathan" and last name "Smith" clearly distinguishable.

Jonathan Smith
Assistant Administrator/Chief Financial Officer
Blount Memorial Hospital, Inc.

Blount Memorial Hospital, Inc.

Statements of Net Position

	June 30	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,808,547	\$ 7,433,277
Patient accounts receivable, less allowances for uncollectible accounts of \$11,590,975 in 2015 and \$11,114,745 in 2014	23,574,849	23,277,777
Inventories	3,793,814	3,169,305
Prepaid expenses	2,150,085	2,577,949
Total current assets	34,327,295	36,458,308
Assets limited as to use:		
By Board	105,673,093	108,253,349
Foundation	1,539,715	1,564,220
Other investments--held by trustee	-	91,006
	107,212,808	109,908,575
Property and equipment, net	126,779,796	124,704,493
Other assets	8,103,779	8,272,789
Total assets	276,423,678	279,344,165
Deferred outflows of resources		
Accumulated decrease in fair value of interest rate swaps	11,145,815	10,405,050
Total assets and deferred outflows of resources	\$ 287,569,493	\$ 289,749,215

Blount Memorial Hospital, Inc.

Statements of Net Position (continued)

	June 30	
	2015	2014
Liabilities and net position		
Current liabilities:		
Accounts payable	\$ 4,372,977	\$ 3,286,598
Accrued compensation, benefits and withholdings	12,077,160	11,271,165
Other accrued expenses	2,394,332	3,119,477
Estimated third party payor settlements	901,810	831,175
Accrued interest payable	174,487	166,416
Current portion of bonds payable	4,091,778	4,172,438
Total current liabilities	24,012,544	22,847,269
 Bonds payable	81,949,184	86,040,962
Interest rate swap liabilities	11,145,815	10,405,050
Total liabilities	117,107,543	119,293,281
 Net position:		
Net investment in capital assets	40,738,834	34,491,093
Restricted in perpetuity under an irrevocable endowment trust, nonexpendable	1,074,686	1,060,420
Unrestricted	128,648,430	134,904,421
Total net position	170,461,950	170,455,934
 Total liabilities and net position	<u>\$ 287,569,493</u>	<u>\$ 289,749,215</u>

See accompanying Notes to Financial Statements.

Blount Memorial Hospital, Inc.

Statements of Revenues, Expenses and Changes in Net Position

	Year ended June 30	
	2015	2014
Operating revenues:		
Net patient service revenue	\$ 191,869,673	\$ 182,814,716
Other revenue	41,410,997	38,455,362
Total operating revenues	233,280,670	221,270,078
Operating expenses:		
Salaries and wages	111,532,533	105,021,263
Employee benefits	25,197,314	25,419,312
Contract salaries	912,692	3,027,272
Professional fees	4,592,733	4,032,782
Patient supplies	35,875,833	34,169,470
Purchased maintenance	9,065,120	9,513,703
Outside services	7,227,879	6,597,796
Equipment rental	2,615,620	2,981,710
Utilities	4,975,664	4,981,776
Marketing	1,044,726	964,009
Depreciation and amortization	17,225,398	16,152,257
Other expenses	10,203,318	9,867,430
Total operating expenses	230,468,830	222,728,780
Operating income (loss)	2,811,840	(1,458,702)
Nonoperating (expenses) revenues:		
Interest expense	(2,220,004)	(2,726,506)
Investment (loss) income	(1,068,042)	7,912,527
Contributions and other	482,222	1,426,782
Total nonoperating (expenses) revenues	(2,805,824)	6,612,803
Increase in net position	6,016	5,154,101
Net position at beginning of year	170,455,934	165,301,833
Net position at end of year	\$ 170,461,950	\$ 170,455,934

See accompanying Notes to Financial Statements.

Blount Memorial Hospital, Inc.

Statements of Cash Flows

	Year ended June 30	
	2015	2014
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 233,248,039	\$ 224,688,744
Payments to employees for services	(110,726,538)	(104,380,940)
Payments to suppliers and contractors	(102,528,724)	(101,427,379)
Net cash provided by operating activities	19,992,777	18,880,425
Cash flows from noncapital financing activities		
Contributions and other	430,400	1,447,622
Cash flows from capital and related financing activities		
Additions to property and equipment	(17,202,361)	(14,797,652)
Acquisition of MSC assets	(1,225,901)	-
Repayments of long-term debt	(4,172,438)	(99,825,000)
Proceeds from bond issuance	-	93,413,400
Interest paid on long-term debt	(2,211,933)	(2,945,170)
Net cash used in capital and related financing activities	(24,812,633)	(24,154,422)
Cash flows from investing activities		
Interest and dividends	1,185,844	2,505,335
Proceeds from sale of equipment	137,001	-
Net proceeds from sale of investment securities designated as assets limited as to use	614,986	1,668,787
Net cash provided by investing activities	1,937,831	4,174,122
Net (decrease) increase in cash and cash equivalents	(2,451,625)	347,747
Cash and cash equivalents at beginning of year	7,928,801	7,581,054
Cash and cash equivalents at end of year	\$ 5,477,176	\$ 7,928,801
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 4,808,547	\$ 7,433,277
Cash and cash equivalents included in assets limited as to use	668,629	495,524
Total cash and cash equivalents	\$ 5,477,176	\$ 7,928,801

Blount Memorial Hospital, Inc.

Statements of Cash Flows (continued)

	Year ended June 30	
	2015	2014
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 2,811,840	\$ (1,458,702)
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation and amortization	17,225,398	16,152,257
Changes in operating assets and liabilities:		
Net patient accounts receivable	(103,266)	3,437,494
Inventories and prepaid expenses	109,465	429,745
Other assets	(595,276)	(31,797)
Accounts payable and other accrued expenses	(332,014)	(270,067)
Accrued compensation, benefits and withholdings	805,995	640,323
Estimated third party payor settlements	70,635	(18,828)
Net cash provided by operating activities	<u>\$ 19,992,777</u>	<u>\$ 18,880,425</u>

Noncash investing, capital and financing activities

At June 30, 2015, accounts payable and accrued expenses included \$693,248 for property and other capital additions.

Investment income includes decreases of \$2,253,886 in 2015 and increases of \$5,407,192 in 2014 to reflect the net change in fair value of investments during each year.

See accompanying Notes to Financial Statements.

Blount Memorial Hospital, Inc.

Notes to Financial Statements

June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies

Reporting Entity

Blount Memorial Hospital, Inc. (the Hospital) is an acute and general healthcare provider formed to provide services to Blount County and the surrounding communities. The Hospital is a component unit of the County of Blount, Tennessee (the County), which issues debt on the Hospital's behalf (*Note 8*). The Hospital is organized as a private act hospital authority. The Hospital's board members are appointed by the County Commission of Blount County, the Board of Commissioners of the City of Alcoa, the Board of Commissioners of the City of Maryville and by the Board of Directors of Maryville College.

The Hospital uses enterprise fund accounting and is included as a discretely presented component unit in the financial statements of the County.

The Hospital is the sole corporate member of the Blount Memorial Foundation (the Foundation), which coordinates and secures resources to enable the Hospital to maintain, improve and advance medical care. The Hospital and the Foundation have common boards of directors and the financial activity of the Foundation is included (blended) in the Hospital's financial statements (*Note 12*). Separate financial statements of the Foundation are maintained by Foundation and Hospital management. Except for certain expenses paid directly by the Foundation, the Hospital provides administrative services and pays for operating expenses to support the Foundation's activities.

Blount Memorial Physician Group, Inc. (BMPG) is owned 100% by the Hospital and governed by the Hospital's board of directors. The financial activity of BMPG is also included (blended) in the Hospital's financial statements (*Note 12*). BMPG provides physician and outpatient services in Blount County and includes over 80 physicians in a multi-specialty practice. Separate financial statements are maintained by Hospital management.

The Hospital has a non-controlling ownership interest in a partnership which operates a medical facility in Blount County consistent with the Hospital's mission of providing healthcare services. This ownership investment is included in other assets at June 30, 2015 and 2014 (*Note 7*).

All significant intercompany accounts and transactions with blended component units have been eliminated.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies (continued)

Basis of Presentation

The Hospital's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for all state and local governmental entities. GASB requires the classification of net position into three components which are defined as follows:

Net investment in capital assets - This component of net position consists of property and equipment, net of accumulated depreciation, reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of the net investment in capital assets. Rather, that portion of the debt or deferred inflow of resources is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. The restricted component is separated into nonexpendable and expendable. Net position subject to externally imposed stipulations that the Hospital maintain them permanently are nonexpendable. Net position on which use by the Hospital is subject to externally imposed stipulations that can be fulfilled by action of the Hospital pursuant to those stipulations or that expire by the passage of time are expendable.

Unrestricted - This component of net position consists of the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted components of net position.

Cash and Cash Equivalents

The Hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies (continued)

Patient Accounts Receivable

Accounts receivable from patients and third-party payors (*Note 4*) are recorded on the accrual basis in the period in which services are rendered. The Hospital does not require collateral on accounts receivable. In evaluating the collectability of accounts receivable, the Hospital analyzes historical collection rates and write-offs and identifies trends for payors to estimate appropriate allowance amounts. Accounts are charged to bad debt expense as they are determined to be uncollectible based on a review of aging and collections.

Inventories

Inventories are stated at the lower of cost or market and are valued principally by methods which approximate the first-in, first-out method.

Investments

Investments are recorded at fair value based on quoted market prices. Interest and dividends on investments, as well as realized and unrealized gains and losses, are included in non-operating income when earned.

The Hospital is organized as a private act hospital authority, which provides the Hospital additional rights and powers including the manner in which funds are invested. The Hospital diversifies its investments into a broad range of asset classes in order to reduce concentration risk and to maximize return with reasonable and prudent levels of risk. It is also the Hospital's policy to limit the maximum position for each type of investment at varying levels within these classifications. As of June 30, 2015, the Hospital's fixed income investments all have quality ratings of A or better (by both Standard & Poor's and Moody's).

To limit its exposure to fair value losses arising from changing interest rates, the Hospital's investment policy restricts the type and maturities of fixed income investments in order to increase the overall investment horizon. The current duration of the Hospital's fixed income investments ranges up to approximately 8 years with an average duration of 3.8 years, based on timing of interest payments, maturity dates, and expectations of minimal interest rate changes.

Assets Limited as to Use by Board and Foundation

Certain investments have been designated by the Board of Directors for the replacement of property and equipment or for other purposes. Cash and investments held by the Foundation in trust accounts are also classified as assets limited as to use (*Note 2*). A portion of the investment at June 30, 2015 and 2014 totaling \$1,074,686 and \$1,060,420, respectively, is restricted in perpetuity (nonexpendable) under an irrevocable endowment trust.

Blount Memorial Hospital, Inc.

Notes to Financial Statements (continued)

June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies (continued)

Property and Equipment

Land, buildings and equipment are stated on the basis of cost or fair value at date of donation. Although title to certain land and buildings rests with the County, these assets have been recorded by the Hospital as the County has authorized their use by the Hospital. Repairs and maintenance costs are expensed as incurred while significant asset purchases and improvements are capitalized. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets. The estimated useful lives are based on guidelines established for the healthcare industry, which are summarized as follows:

Land improvements	8 to 25 years
Buildings, improvements and fixed equipment	10 to 30 years
Equipment	3 to 15 years

Accrual for Compensated Absences

The Hospital recognizes an expense and accrues a liability for compensated future employee absences in the period in which employees' rights to such compensated absences are earned.

Operating Revenues and Expenses

Revenue and expenses associated with the Hospital's mission of providing healthcare services are considered to be operating activities. Non-operating revenues consist primarily of investment income (loss) and general contributions to the Hospital. Unrestricted resources will be applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Income Taxes

The Hospital is classified as a governmental organization exempt from income tax. The Foundation is a not-for-profit organization defined by Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements. BMPG is a corporation and subject to income taxes. BMPG has net operating loss carryforwards, resulting in deferred tax assets, which have been fully offset by valuation allowances.

Charity Care

The Hospital accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Charges at established rates related to charity care are not included in net patient service revenue.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

1. Description of Reporting Entity and Significant Accounting Policies (continued)

Patient Service Revenue

Patient service revenue is reported in the period in which services are provided, at rates which reflect the amount expected to be collected. Net patient service revenue includes amounts estimated by management to be reimbursable by third party payors under provisions of reimbursement formulas in effect and is net of the provision for bad debts.

Risk Management

The Hospital is self-insured for medical malpractice and employee (including dependent) group health expenses and claims (*Note 9*). Commercial insurance is purchased for significant exposure to various other risks typical to the Hospital's operating environment and industry such as loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. There were no significant losses in excess of insurance coverage during the last three years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of: assets and liabilities; net position; disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts in 2014 have been reclassified to conform to 2015 classifications.

2. Cash, Cash Equivalents and Assets Limited as to Use

The Hospital's cash and cash equivalent balances are on hand with financial institutions participating in the Bank Collateral Pool, which is administered by the Collateral Pool Board and monitored by the Treasury Department of the State of Tennessee.

BMPG's cash balances at financial institutions are covered by Federal Deposit Insurance Corporation (FDIC) insurance (credit risk category insured), subject to certain limits. At June 30, 2015, BMPG balances exceeded the limits by approximately \$240,000 (uninsured credit risk category).

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

2. Cash, Cash Equivalents and Assets Limited as to Use (continued)

The assets limited as to use by Board and those held by trustees include U.S. Government instruments and other securities held at financial institutions in the Hospital's name (uninsured credit risk category) and are categorized by investment type as follows as of June 30:

	2015	%	2014	%
Money market funds (cash equivalents)	\$ 336,997	0%	\$ 150,399	0%
U.S. Government Agency securities	7,614,185	7%	8,997,194	8%
Municipal bonds	3,371,794	3%	6,015,475	6%
Corporate bonds	7,607,157	7%	10,616,375	10%
Common stock	1,288,083	1%	—	0%
Bond mutual funds	37,332,002	36%	42,726,561	39%
Equity mutual funds	48,122,875	46%	39,838,351	37%
	<u>\$105,673,093</u>	<u>100%</u>	<u>\$108,344,355</u>	<u>100%</u>

Net investment (loss) income on assets limited as to use includes as of June 30:

	2015	2014
Interest and dividends	\$ 1,185,844	\$2,505,335
Net realized and unrealized investment (loss) gain	(2,253,886)	5,407,192
	<u>\$(1,068,042)</u>	<u>\$7,912,527</u>

The Foundation's cash balances at financial institutions are covered by FDIC insurance (risk category insured), subject to certain limits. Foundation assets limited as to use are comprised of the following as of June 30:

	2015	2014
Cash	\$ 22,923	\$ 75,155
Money market funds (cash equivalents)	308,709	269,970
Bond mutual funds	492,573	470,605
Equity mutual funds	715,510	748,490
	<u>\$1,539,715</u>	<u>\$1,564,220</u>

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

3. Net Patient Service Revenue

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the Statements of Revenues, Expenses and Changes in Net Position is as follows for the year ended June 30:

	2015	2014
Gross patient service charges	\$ 809,173,131	\$ 747,615,994
Contractual adjustments and discounts	(564,165,442)	(514,382,294)
Charity care charges foregone	(38,331,218)	(37,564,748)
Provision for bad debts	(14,806,798)	(12,854,236)
Net patient service revenue	<u>\$ 191,869,673</u>	<u>\$ 182,814,716</u>

HITECH was enacted as part of the American Recovery and Reinvestment Act of 2009. Under HITECH, the Hospital must implement a certified electronic health record in an effort to promote the adoption and meaningful use of health information technology. It is the Hospital's policy to recognize such revenue when there is reasonable assurance the condition specified for compliance within the applicable statutes will be met and the grant will be received. Accordingly, during 2015 and 2014 the Hospital recorded approximately \$2,247,000 and \$932,000, respectively, of incentive payments under Medicare and TennCare programs related to meeting meaningful use objectives mandated by HITECH. These incentive payments are included as a component of net patient service revenue.

4. Third Party Payor Agreements

The Hospital renders services to patients under contractual arrangements with the Medicare and TennCare programs. Laws, regulations and contracts governing third party payor programs can be extremely complex and subject to interpretation. Amounts earned under these contractual arrangements are subject to regulatory review and final determination by the various program intermediaries and other appropriate governmental authorities or their agents. As a result, there is at least a reasonable possibility that recorded estimates related to third party payor agreements could change in the near term. In the opinion of management, adequate provision has been made in the financial statements for any adjustments which may result from such reviews.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

4. Third Party Payor Agreements (continued)

The Medicare program pays for inpatient services on a prospective basis primarily based upon diagnostic related group assignments as determined by the patient's clinical diagnosis and medical procedures utilized. The Hospital receives additional payments from Medicare based on the provision of services to a disproportionate share of low income patients (as defined by the Medicare program). Medicare also pays for outpatient services on a prospective basis based upon ambulatory payment classifications and fee schedules. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

Contractual adjustments for Medicare, TennCare and other third party discount arrangements are recognized when the related revenues are reported in the financial statements. The percentage of gross patient charges from the Medicare and TennCare programs was approximately 31% and 10% in both 2015 and 2014.

The Hospital has reimbursement agreements with commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates, per diems and discounts from established charges.

5. Acquisition of Maryville Surgical Center, LLC

Effective January 15, 2015, the Hospital acquired substantially all assets of Maryville Surgical Center, LLC (MSC). The acquisition was accounted for as a purchase transaction where the Hospital recorded all assets acquired at their fair values on the date of acquisition. The following table presents the allocation of the purchase price to assets acquired based on their estimated fair values.

Medical and other equipment	\$ 527,475
Inventory, surgical instruments and other	293,529
Accounts receivable	193,806
Other assets	211,091
Total cash consideration	<u>\$1,225,901</u>

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

6. Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 01, 2014	Additions	Retirements and Transfers	Balance June 30, 2015
Cost:				
Land	\$ 12,018,917	\$ 42,462	\$ —	\$ 12,061,379
Land improvements	2,382,783	—	—	2,382,783
Buildings, improvements, and fixed equipment	164,780,787	5,285,831	(851,779)	169,214,839
Equipment	122,964,891	12,691,118	(832,894)	134,823,115
Construction in progress	1,068,926	1,472,599	(1,068,926)	1,472,599
Total cost	303,216,304	19,492,010	(2,753,599)	319,954,715
Allowances for depreciation:				
Land improvements	(2,302,911)	(8,598)	—	(2,311,509)
Buildings, improvements, and fixed equipment	(85,319,916)	(6,265,364)	766,600	(90,818,680)
Equipment	(90,888,984)	(9,988,640)	832,894	(100,044,730)
Total allowances	(178,511,811)	(16,262,602)	1,599,494	(193,174,919)
Net property and equipment	\$124,704,493	\$ 3,229,408	\$(1,154,105)	\$126,779,796

Construction in progress at June 30, 2015 includes costs primarily related to the renovation and upgrades to the building with total estimated costs to complete of approximately \$1,325,000.

	Balance July 01, 2013	Additions	Retirements and Transfers	Balance June 30, 2014
Cost:				
Land	\$ 11,050,183	\$ 968,734	\$ —	\$ 12,018,917
Land improvements	2,382,783	—	—	2,382,783
Buildings, improvements, and fixed equipment	156,857,030	8,000,873	(77,116)	164,780,787
Equipment	117,169,436	5,934,854	(139,399)	122,964,891
Construction in progress	2,380,690	86,734	(1,398,498)	1,068,926
Total cost	289,840,122	14,991,195	(1,615,013)	303,216,304
Allowances for depreciation:				
Land improvements	(2,294,273)	(8,638)	—	(2,302,911)
Buildings, improvements, and fixed equipment	(79,120,632)	(6,276,400)	77,116	(85,319,916)
Equipment	(82,038,142)	(8,969,401)	118,559	(90,888,984)
Total allowances	(163,453,047)	(15,254,439)	195,675	(178,511,811)
Net property and equipment	\$126,387,075	\$ (263,244)	\$ (1,419,338)	\$124,704,493

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

7. Other Assets

Other assets include a \$2,040,000 investment in a partnership, and the following net intangible assets at June 30:

	2015	2014
Goodwill	\$2,378,063	\$2,449,046
Trade name	1,450,568	1,431,391
Non-compete agreements	157,153	785,770
Medical records	494,963	472,810
Workforce	973,668	968,772
Other	609,364	125,000
	<u>\$6,063,779</u>	<u>\$6,232,789</u>

Goodwill and trade name are being amortized over a period of ten to forty years. Medical records and workforce are amortized over a period of ten to twenty years. The non-compete agreements are being amortized over a period of three years. Amortization expense for intangibles was \$962,796 and \$866,021 for the years ended June 30, 2015 and 2014, respectively. Amortization expense for the next three years related to these intangible assets is estimated to approximate \$419,000, \$237,000 and \$212,000.

8. Long-term Debt

Changes in long-term debt are summarized as follows:

	Balance July 01, 2014	Additions	Principal Payments	Balance June 30, 2015
Series 2013A Bonds	\$85,925,000	\$ —	\$ 3,375,000	\$ 82,550,000
Series 2014 Bonds	4,288,400	—	797,438	3,490,962
Total outstanding	<u>90,213,400</u>	<u>\$ —</u>	<u>\$ 4,172,438</u>	<u>86,040,962</u>
Less current portion	(4,172,438)			(4,091,778)
Long-term portion	<u>\$86,040,962</u>			<u>\$81,949,184</u>

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

8. Long-term Debt (continued)

	Balance July 01, 2013	Additions	Principal Payments	Balance June 30, 2014
Series 1998B Bonds	\$ 7,500,000	\$ —	\$ 7,500,000	\$ —
Series E-5-A Bonds	89,125,000	—	89,125,000	—
Series 2013A Bonds	—	89,125,000	3,200,000	85,925,000
Series 2014 Bonds	—	4,288,400	—	4,288,400
Total outstanding	96,625,000	\$93,413,400	\$99,825,000	90,213,400
Less current portion	(4,115,000)			(4,172,438)
Long-term portion	<u>\$92,510,000</u>			<u>\$86,040,962</u>

Blount County issued, on behalf of the Hospital, Hospital Revenue Improvement Bonds, Series 1998B, in December 1998. The Series 1998B Bonds were subject to redemption at the option of the County, in whole or in part, at the redemption price of par, without premium, plus accrued interest to the redemption date. The County exercised its redemption option in January 2014.

In August 2008, Blount County issued, on behalf of the Hospital, \$96,350,000 of Local Government Public Improvement Bonds, Series E-5-A. The Series E-5-A Bonds were subject to redemption at the option of the County, in whole or in part, at the redemption price of par plus accrued interest to the redemption date. The County exercised its redemption option in December 2013.

To refund the Series E-5-A Bonds, in December 2013 Blount County issued, on behalf of the Hospital, \$89,125,000 of General Obligation Refunding Bonds, Series 2013A. The Series 2013A Bonds bear interest at a variable rate based on the product of the one month Libor rate (.184% at June 30, 2015) and a factor (67% at June 30, 2015) plus the applicable spread based on the investment rating of the bonds (.43% at June 30, 2015). The Series 2013A Bonds mature in increasing annual amounts ranging from \$3,525,000 in 2016 to \$8,425,000 in 2029 and are subject to redemption at the option of the County, in whole or in part, at the redemption price of par plus accrued interest to the redemption date. There was no difference between the reacquisition price and the net carrying amount of the old debt. The Hospital completed the refunding to reduce its total debt service payments over the following 16 years by approximately \$210,000, which resulted in an economic gain (difference between the present value of the old and new debt service payments) of approximately \$160,000.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)

June 30, 2015

8. Long-term Debt (continued)

In January 2014, Blount County issued on behalf of the Hospital, \$4,288,400 of Hospital Revenue Refunding Bonds, Series 2014. The Series 2014 Bonds were used to refund the Series 1998B bonds. The Series 2014 Bonds mature in varying annual amounts ranging from \$566,778 to a final payment of approximately \$842,000 on July 1, 2019 at an interest rate of 1.68%. The Series 2014 Bonds are subject to redemption at the option of the County, in whole or in part, at the redemption price of par, without premium, plus accrued interest to the redemption date. There was no difference between the reacquisition price and the net carrying amount of the old debt. The Hospital completed the refunding to reduce its total debt service payments over the following 6 years by approximately \$810,000, which resulted in an economic gain (difference between the present value of the old and new debt service payments) of approximately \$650,000.

To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the Hospital utilized two separate interest rate swap agreements to effectively fix the interest rates on a portion of the bonds. One interest rate swap agreement maturing in June 2026 establishes interest at an effective rate of 4.90% on \$25,000,000. The second interest rate swap agreement maturing in June 2029 establishes interest at an effective rate of 4.33% on \$30,700,000. The counterparties to these agreements owe the Hospital interest based on a variable rate that is calculated based on a published index rate. The bond principal subject to the swap agreements is not exchanged; only the net difference in interest payments is exchanged with the counterparties and recorded by the Hospital as interest expense. The Hospital, through the trustee, continues to pay interest to the bondholders at the variable rate provided for by the bonds. During the term of each swap agreement, the Hospital effectively pays a fixed rate on the debt plus or minus the difference between the variable rate due on the bonds and the variable rate received from the counterparty.

The Hospital records the fair value liability of its interest rate swaps, which were determined by an independent third-party advisory firm from a model that calculates future cash flows by projecting forward rates and then discounts those cash flows to their present value. The fair value liability of the interest rate swaps increased by \$740,765 in 2015 and \$410,637 in 2014.

As of June 30, 2015, the Hospital was not exposed to credit risk because the swaps have negative fair values. However, should interest rates change and the fair value of the swaps become positive, the Hospital would be exposed to credit risk in the amount of the fair value of the swaps. As of June 30, 2015, the counterparty to the swaps, Deutsche Bank, was rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

The Hospital is exposed to variable rates if the counterparty to the swaps defaults, if the variable rate received from the counterparty is less than that due on the bonds or if the swaps are terminated. The termination of the swap agreements could also result in the Hospital making or receiving a termination payment.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

8. Long-term Debt (continued)

Maturities and mandatory sinking fund payments related to the balances outstanding as of June 30, 2015, are summarized as follows:

	Series 2013A	Series 2014	Total
2016	\$ 3,525,000	\$ 566,778	\$ 4,091,778
2017	3,700,000	626,295	4,326,295
2018	3,875,000	692,100	4,567,100
2019	4,075,000	763,889	4,838,889
2020	4,275,000	841,900	5,116,900
2021 – 2025	31,700,000	—	31,700,000
2026 – 2029	31,400,000	—	31,400,000
	<u>\$82,550,000</u>	<u>\$3,490,962</u>	<u>\$86,040,962</u>

Future interest payments related to the bonds are as follows (interest for variable portion of the Series 2013A Bonds is determined using the rate in effect at June 30, 2015, which was 0.55%).

	Series 2013A	Series 2014	Total
2016	\$ 2,702,238	\$ 53,848	\$ 2,756,086
2017	2,682,654	43,822	2,726,476
2018	2,662,102	32,743	2,694,845
2019	2,640,570	20,508	2,661,078
2020	2,617,932	7,014	2,624,946
2021 – 2025	10,941,112	—	10,941,112
2026 – 2029	3,395,439	—	3,395,439
	<u>\$27,642,047</u>	<u>\$ 157,935</u>	<u>\$27,799,982</u>

The revenues of the Hospital are pledged as collateral for the Series 2014 Bonds. The bond agreements require the Hospital to maintain certain financial and other covenants.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

9. Malpractice Trust Fund and Employee Group Health Claims

The Hospital is covered under the "Tennessee Governmental Tort Liability Act" (T.C.A. 29-20-101, et seq). In addition to requiring claims be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one year statute of limitations, and a requirement that the governmental entity purchase insurance or be self-insured with certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act or the amount of insurance purchased by the governmental entity.

The Hospital is self-insured for professional malpractice liability coverage. Claims and expenses of \$105,475 and \$137,447 were paid during 2015 and 2014, respectively. At June 30, 2015, the Hospital is involved in medical malpractice litigation in which management of the Hospital, after consultation with legal counsel, is of the opinion that liability, if any, related to these claims would not be material to the financial statements. No amounts are accrued for potential losses related to unreported incidents or reported incidents which have not yet resulted in asserted claims as the Hospital is not able to estimate such amounts.

The Hospital is self-insured for employee (and dependent) group health claims and records a liability for claims known but unpaid and estimated claims incurred but not reported. The liability for employee group health claims was \$1,059,607 and \$1,323,181 at June 30, 2015 and 2014, respectively. The total expense related to employee group health claims (net of employee paid premiums) was approximately \$12,009,000 and \$12,482,000 for 2015 and 2014, respectively.

10. Fair Value

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Mutual funds and common stocks are valued using prices quoted in active markets for those securities, while the debt securities are valued based on the securities' relationship to benchmark quoted prices. Derivative instruments are valued using a market approach that considers benchmark interest rates.

As of and for the years ended June 30, 2015 and 2014, the Hospital has adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which provides for enhanced disclosures of fair value measurements.

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

10. Fair Value (continued)

The following table sets forth by level, within the fair value hierarchy, the fair value of the Hospital's investments (assets limited as to use) as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
Debt securities:				
U.S. Government Agency Securities	\$ —	\$ 7,614,185	\$ —	\$ 7,614,185
Corporate bonds	—	7,607,157	—	7,607,157
Municipal bonds	—	3,371,794	—	3,371,794
Total debt securities	—	18,593,136	—	18,593,136
Mutual funds:				
Money market funds	645,706	—	—	645,706
Bond funds	37,824,575	—	—	37,824,575
Equity funds	48,838,385	—	—	48,838,385
Total mutual funds	87,308,666	—	—	87,308,666
Common stock	1,288,083	—	—	1,288,083
Total investments by fair value level	\$88,596,749	\$18,593,136	\$ —	\$107,189,885
Derivative instruments:				
Interest rate swaps	\$ —	\$11,145,815	\$ —	\$ 11,145,815

The following table sets forth by level, within the fair value hierarchy, the fair value of the Hospital's investments (assets limited as to use) as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
Debt securities:				
U.S. Government Agency Securities	\$ —	\$ 8,997,194	\$ —	\$ 8,997,194
Corporate bonds	—	10,616,375	—	10,616,375
Municipal bonds	—	6,015,475	—	6,015,475
Total debt securities	—	25,629,044	—	25,629,044
Mutual funds:				
Money market funds	420,369	—	—	420,369
Bond funds	43,197,166	—	—	43,197,166
Equity funds	40,586,841	—	—	40,586,841
Total mutual funds	84,204,376	—	—	84,204,376
Total investments by fair value level	\$84,204,376	\$25,629,044	\$ —	\$109,833,420
Derivative instruments:				
Interest rate swaps	\$ —	\$10,405,050	\$ —	\$ 10,405,050

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)

June 30, 2015

11. Retirement Plan

The Blount Memorial Hospital Retirement Plan (the Plan) includes two defined contribution plans available to all employees who are age 18 or older. New participants who have completed 1,000 hours of service vest 20% each year from two years of service to six years of service. The Plan provides for the Hospital to contribute an amount equal to 3% of each eligible employee's compensation plus a matching contribution (limited to 3% of compensation) based upon voluntary employee contributions to the Plan. Plan contributions are made biweekly. Hospital contributions to the Plan, net of forfeitures used of approximately \$130,000 in both 2015 and 2014, totaled \$3,858,141 and \$3,733,159 in 2015 and 2014, respectively. Employee contributions were \$3,500,592 and \$3,535,826 in 2015 and 2014, respectively.

12. Blended Component Units

Condensed combining information for the Hospital and its blended component units (*Note 1*) is presented as follows:

Condensed Combining Statement of Net Position
June 30, 2015

	Hospital	Foundation	BMPG	Total
Assets				
Current assets	\$ 32,240,083	\$ —	\$2,087,212	\$ 34,327,295
Assets limited as to use	105,673,093	1,539,715	—	107,212,808
Property and equipment, net	126,779,796	—	—	126,779,796
Other noncurrent assets	8,103,779	—	—	8,103,779
Total assets	272,796,751	1,539,715	2,087,212	276,423,678
Deferred outflows of resources	11,145,815	—	—	11,145,815
Total assets and deferred outflows of resources	\$283,942,566	\$1,539,715	\$2,087,212	\$287,569,493
Liabilities and net position				
Current liabilities	\$ 23,370,209	\$ —	\$ 642,335	\$ 24,012,544
Long-term liabilities	93,094,999	—	—	93,094,999
Total liabilities	116,465,208	—	642,335	117,107,543
Net position:				
Net investment in capital assets	40,738,834	—	—	40,738,834
Restricted, nonexpendable	—	1,074,686	—	1,074,686
Unrestricted	126,738,524	465,029	1,444,877	128,648,430
Total net position	167,477,358	1,539,715	1,444,877	170,461,950
Total liabilities and net position	\$283,942,566	\$1,539,715	\$2,087,212	\$287,569,493

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

12. Blended Component Units (continued)

**Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2015**

	Hospital	Foundation	BMPG	Total
Operating revenues:				
Net patient service revenue	\$163,863,929	\$ —	\$ 28,005,744	\$191,869,673
Other revenue	41,410,997	—	—	41,410,997
Total operating revenues	205,274,926	—	28,005,744	233,280,670
Operating expenses:				
Depreciation and amortization	17,225,398	—	—	17,225,398
Other operating expenses	171,338,776	368,131	41,536,525	213,243,432
Total operating expenses	188,564,174	368,131	41,536,525	230,468,830
Operating income (loss)	16,710,752	(368,131)	(13,530,781)	2,811,840
Nonoperating (expenses) revenues:				
Interest expense	(2,220,004)	—	—	(2,220,004)
Investment (loss) income	(1,114,883)	46,841	—	(1,068,042)
Contributions and other	185,437	296,785	—	482,222
Total nonoperating (expenses) revenues	(3,149,450)	343,626	—	(2,805,824)
Increase (decrease) in net position	13,561,302	(24,505)	(13,530,781)	6,016
Net position at beginning of year	167,729,834	1,564,220	1,161,880	170,455,934
Transfers	(13,813,778)	—	13,813,778	—
Net position at end of year	\$167,477,358	\$1,539,715	\$ 1,444,877	\$170,461,950

**Condensed Combining Statement of Cash Flows
Year ended June 30, 2015**

	Hospital	Foundation	BMPG	Total
Net cash provided by (used in):				
Operating activities	\$34,443,682	\$(368,131)	\$(14,082,774)	\$ 19,992,777
Noncapital financing activities	133,615	296,785	—	430,400
Capital and related financing activities	(24,812,633)	—	—	(24,812,633)
Investing activities	(11,933,800)	57,853	13,813,778	1,937,831
Net decrease in cash and cash equivalents	(2,169,136)	(13,493)	(268,996)	(2,451,625)
Cash and cash equivalents at beginning of year	7,022,880	345,125	560,796	7,928,801
Cash and cash equivalents at end of year	\$ 4,853,744	\$ 331,632	\$ 291,800	\$ 5,477,176

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)
June 30, 2015

12. Blended Component Units (continued)

**Condensed Combining Statement of Net Position
June 30, 2014**

	Hospital	Foundation	BMPG	Total
Assets				
Current assets	\$ 34,384,097	\$ —	\$2,074,211	\$ 36,458,308
Assets limited as to use	108,344,355	1,564,220	—	109,908,575
Property and equipment, net	124,704,493	—	—	124,704,493
Other noncurrent assets	8,272,789	—	—	8,272,789
Total assets	275,705,734	1,564,220	2,074,211	279,344,165
Deferred outflows of resources	10,405,050	—	—	10,405,050
Total assets and deferred outflows of resources	\$286,110,784	\$1,564,220	\$2,074,211	\$289,749,215
Liabilities and net position				
Current liabilities	\$ 21,934,938	\$ —	\$ 912,331	\$ 22,847,269
Long-term liabilities	96,446,012	—	—	96,446,012
Total liabilities	118,380,950	—	912,331	119,293,281
Net position:				
Net investment in capital assets	34,491,093	—	—	34,491,093
Restricted, nonexpendable	—	1,060,420	—	1,060,420
Unrestricted	133,238,741	503,800	1,161,880	134,904,421
Total net position	167,729,834	1,564,220	1,161,880	170,455,934
Total liabilities and net position	\$286,110,784	\$1,564,220	\$2,074,211	\$289,749,215

Blount Memorial Hospital, Inc.
Notes to Financial Statements (continued)

June 30, 2015

12. Blended Component Units (continued)

**Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2014**

	Hospital	Foundation	BMPG	Total
Operating revenues:				
Net patient service revenue	\$157,556,127	\$ —	\$25,258,589	\$182,814,716
Other revenue	38,455,362	—	—	38,455,362
Total operating revenues	196,011,489	—	25,258,589	221,270,078
Operating expenses:				
Depreciation and amortization	16,152,257	—	—	16,152,257
Other operating expenses	168,731,605	569,138	37,275,780	206,576,523
Total operating expenses	184,883,862	569,138	37,275,780	222,728,780
Operating income (loss)	11,127,627	(569,138)	(12,017,191)	(1,458,702)
Nonoperating (expenses) revenues:				
Interest expense	(2,726,506)	—	—	(2,726,506)
Investment income	7,740,570	171,957	—	7,912,527
Contributions and other	846,410	580,372	—	1,426,782
Total nonoperating (expenses) revenues	5,860,474	752,329	—	6,612,803
Increase (decrease) in net position	16,988,101	183,191	(12,017,191)	5,154,101
Net position at beginning of year	162,982,610	1,381,029	938,194	165,301,833
Transfers	(12,240,877)	—	12,240,877	—
Net position at end of year	\$167,729,834	\$1,564,220	\$ 1,161,880	\$170,455,934

**Condensed Combining Statement of Cash Flows
Year ended June 30, 2014**

	Hospital	Foundation	BMPG	Total
Net cash provided by (used in):				
Operating activities	\$31,477,617	\$ (569,138)	\$(12,028,054)	\$18,880,425
Noncapital financing activities	867,250	580,372	—	1,447,622
Capital and related financing activities	(24,154,422)	—	—	(24,154,422)
Investing activities	(8,120,824)	54,069	12,240,877	4,174,122
Net increase in cash and cash equivalents	69,621	65,303	212,823	347,747
Cash and cash equivalents at beginning of year	6,953,259	279,822	347,973	7,581,054
Cash and cash equivalents at end of year	\$ 7,022,880	\$ 345,125	\$ 560,796	\$ 7,928,801

Blount Memorial Hospital, Inc.

List of Officials

June 30, 2015

Board of Directors

Robert Redwine, President

Ted Flickinger, M.D., Vice President

Jim Fiegle

Carolyn Forster

Francis Gross, Ed.D

Clarence Williams

David Pesterfield

David Cockrill

Denny Mayes

Executive Administration

Don Heinemann

Jane Nelson

Jonathan Smith

Sonya Newman

Clay Puckett

Connie Huffman

Harold Naramore, M.D.



Report of Independent Auditors on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To Management and the Board of Directors of
Blount Memorial Hospital, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blount Memorial Hospital, Inc. (the Hospital) as of and for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated September 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



To Management and the Board of Directors of
Blount Memorial Hospital, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coulter & Justus, P.C.

Knoxville, Tennessee
September 10, 2015

APPENDIX SECTION C

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

5

BMH Quality Improvement Plan

BMH Utilization Plan

BMH Patient Rights and Responsibilities Policy

Blount Memorial Hospital

Performance Improvement Plan and Priorities for Fiscal Year 2015

Major process or performance improvement initiatives are created and executed through our Quality Council. Members regularly review performance metrics of existing initiatives and suggest new initiatives as needed. Quality Council consists of members from the Executive Group, Medical Staff including the Chief and Vice Chief, and members of our Quality Department.

Emergency Department Throughput Improvement:

With the transition from TEAMHealth to AlignMD, we plan to enhance our performance monitoring capabilities and feedback information to staff to foster improvement. We will develop standardized performance measures for ED staff and physicians. We plan to utilize a Results Pending Area to assist with patient overflow. We will also begin monitoring back end processes for both Length of Stay and patient discharge times to assist with bed availability.

Readmissions Reduction:

Given that we have not yet reached our performance goals in this area, we plan to do a deep dive statistical analysis to determine if we are focusing our efforts appropriately. We will then make adjustments based on that analysis. We plan to continue our partnership with Maryville College and will monitor student effectiveness with preventing readmissions.

Operating Room Throughput Improvement:

This is a new initiative. We have experienced cases going well passed scheduled times, leading to surgeon and patient dissatisfaction. We have completed some in-depth analysis, which we will now use to help guide our performance improvement efforts. An OR Governance will be established as well as standardized performance metrics which will be shared in regular monthly meetings with Medical Staff, OR staff, Executive Leadership and Quality Council.

Zero Harm and REACT:

The Rapid Error Assessment and Correction Team (REACT) began in January 2015 and is an interdisciplinary team designed to collect reported errors or occurrences daily and resolve these issues immediately via education or through the use of Rapid Improvement Events (RIE's). A Zero Harm Committee will oversee key issues brought up through REACT. The overall plan is to encourage all staff to report any issues they feel are hindering the delivery of patient care in any way, so that those issues can be resolved quickly or to develop improved processes as needed.

Customer Service:

We have ended our partnership with PressGaney as our HCAHPS surveyor and have now partnered with National Resource Corporation (NRC). NRC offers numerous on demand reports which we will feedback to our staff in effort to improve our Customer Service scores for the "Rate the Hospital" category. A Customer Service Committee meets regularly to review performance metrics and execute new plans or recommendations from NRC. In addition, each nursing floor and unit has unit specific PI initiatives in line with improving customer service on their respective units.

In addition to these initiatives, we have monthly committee meetings for performance review and improvement for many inter-departmental projects, such as ED Department Meeting, Stroke Steering Committee, Joints Steering Committee, Sepsis Steering Committee, and Diabetes Committee. STEMI Committee is also inter-departmental and meets quarterly. Areas for improvement are discussed at each meeting. PI projects should then be formally constructed using our standard A3 tool.

We are a THA HEN Hospital and we will be participating in those projects as they are available.

I. Clinical Quality Initiatives

- A. Emergency Department Throughput Improvement
- B. Readmissions Reduction
- C. Operating Room Throughput Improvement
- D. Zero Harm and REACT

II. Certification Initiatives

- A. Knee and Hip Replacement Joint Commission DSC – Intracycle accreditation
- B. Primary Stroke Center Joint Commission DSC – Intracycle accreditation
- C. Working towards Diabetes Joint Commission DSC

II. Customer Service

- A. Implement suggestions from Customer Service Committee aligned with NRC suggestions
- B. Continue Individual department PI Initiatives

III. THA Hospital Engagement Network (HEN) Projects

- A. Leadership and Culture
- B. Health Care Associated Infections (HAI's) - Participate in SUSP (Surgical Unit based Safety Program)
 - 1. Surgical Site Infections (SSI's)
 - 2. Central Line Associated Infections (CLABSI's)
 - 3. Catheter Associated Urinary Tract Infections (CAUTI's)
 - 4. Multiple Drug Resistant Organisms (MDRO's)
- C. Hospital Acquired Conditions
 - 1. Ventilator Associated Pneumonia (VAP)
 - 2. Falls
 - 3. Pressure Ulcers (PU)
 - 4. Adverse Drug Events (ADE)
 - 5. OB Adverse Events/Early Elective Deliveries
- D. Readmissions

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- I. Purpose:
 - A. The Utilization Review (UR) Plan at Blount Memorial Hospital (BMH) has been established as a method to assure appropriate management of quality patient care. The UR Plan is designed to assist consumers in receiving the most clinically appropriate services in the most cost effective and efficient manner possible. The UR Program functions within the BMH established Mission, Vision, Values and Goals.
 - B. The UR Program strives to create equity between the demand for services, the availability of resources, and the needs and goals of individuals receiving those services.
- II. Goals: The UR Program at BMH shall strive to assure appropriate allocation of hospital resources. The UR program incorporates the processes of UR and Continuous Quality Improvement. Through UR we focus on goals to insure optimum outcomes for both consumers and the hospital.
 - A. To assure quality patient care
 - B. Efficient utilization of hospital services and resources
 - C. Assist in the promotion and maintenance of quality care through the analysis, review and evaluation of clinical practices within the hospital
 - D. To assure the medical necessity and appropriateness of care provided to patients.
- III. Methods of review: BMH operates a UR Program that is floor based for Commercial payers including managed care and Medicaid/TN care and physician based for Medicare/self pay reviews. Patients admitted to BMH will be reviewed by the Utilization Review nurse and/or the RN Case Manager for appropriateness and medical necessity of the stay, extended stays, and appropriateness of the level of care. Those evaluated will include Medicare, Medicare HMO, Medicaid/TN care, and those covered by a private contract. In addition, self-pay patients will be reviewed in the same manner utilizing the same criteria. Interqual guidelines will be utilized for determination of acute care services. Concurrent review will be performed, using the same criteria, or as determined by the information obtained from the insurers. Should a patient no longer meet criteria for acute care, efforts will be made to work with the physician and patient/family to facilitate moving the patient to the appropriate level of care.
 - A. Criteria:
 1. BMH supports the use of clinically appropriate guidelines in the use of utilization review. Interqual Criteria shall be utilized for admission; concurrent/continued stay reviews and discharge review.
 2. Decisions made by the Utilization Review nurse shall be based on CMS standards pertaining to Medicare and Medicaid reviews.
 - B. The Case Management Director manages the UR Department's day-to-day operations. The Utilization Review Department is comprised of RN Case Managers, and Utilization Review Nurses.
 1. The UR Department conducts prospective, concurrent, and retrospective clinical reviews which address eligibility criteria and service authorizations for the hospital. Refer to policies 29-3, 29-4, 29-6, 29-7, and 29-8.

Policies are revised frequently. Refer to electronic copy (ecopy) for the most current version of the policy.

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2. Observation care is a well defined set of specific clinically appropriate services that include ongoing short term treatment, assessment and reassessment that are provided to establish a diagnosis and to provide a decision regarding whether a patient will require further treatment as an inpatient or be safely discharged home with appropriate care. The UR Department will follow policies 29-9 and BMS1119 in addressing observation bed assignment.
3. Denials and Appeals are also incorporated within the UR and Financial Departments. Refer to policy 29-5.
3. The Utilization Review Committee serves as another element to monitor the service delivery system and UR activities to help ensure that resources are expended in the most efficient manner possible.

IV. Responsibilities assumed by the UR Department and Case Management Department:

- A. Conducts prospective, concurrent and retrospective reviews for commercial payers Medicare, Medicare HMO, and Medicaid/TN Care; submitting pertinent and appropriate clinical information to contracted insurance providers to obtain the highest level of reimbursement for services rendered based on compliance and appropriateness review criteria.
- B. Knowledgeable in utilization management criteria, such as Milliman and/or Interqual. Ensures approved length of stay, pre-certification, and concurrent reviews are entered in Paragon and the Midas case management program.
- C. Screens each admission for medical necessity and appropriate level of care. Interacts with the physician regarding level of care changes based on clinical review and medical necessity criteria utilizing InterQual for intensity of service and severity of illness screening.
- D. Verifies correct bed status documented in physician orders.
- E. The utilization Review Nurse, RN Case Manager or Director of Case management may elect to involve a physician advisor concurrently in making medical necessity compliance determinations for all payer types that do not meet inpatient criteria through Interqual.
- F. When insurance providers deny hospital days at any point in the screening process the utilization review nurse will discuss with the RN Case Manager who will look for additional information that may change this decision. If unable to obtain approval through clinical review, the utilization review nurse or the RN Case Manager will arrange a peer to peer with the attending provider at Blount Memorial Hospital and the medical director of the insurance provider denying patient stay. The utilization review nurse will notify the Case Management Director of denials and the final outcome after all attempts at overturning the denial have been exhausted.
- G. If insurance providers continue to deny hospital days after a peer to peer with Blount Memorial Hospital physicians the utilization Review nurse, RN case manager or the Director of Case Management may elect to involve a third party physician advisor to assist in proper reimbursement at the appeal level.
- H. The Case Management Department manages appeals within established time frames. The Case Management Department works closely with the Managed Care Coordinator and

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- the Denial Analyst in regards to appeals process for denials.
- I. UR Department works closely with the Medicare Clinical Reimbursement Specialist in regards to Medicare appropriateness of admission, level of care, and application of Interqual criteria.
 - J. Collaborating with managed care providers using UR data to assist improving provider practice.
 - K. Interacts with onsite nurses for insurance providers to optimize reimbursement based on level of care and assists with the notification process for Humana Gold patients.
 - L. Proficient use of computers, multi-line telephones, typing and data entry.
 - M. Serves on multidisciplinary teams to improve quality and outcomes of patient care when requested.
 - N. Utilization of the third party reviewer, Executive Health Resources, appointed by BMH effective August 2, 2011 as applicable to ensure CMS compliance.
 - O. Coordinating and supporting the activities of the Case Management Utilization Review Committee.
 - P. Ensures authorizations are obtained for Third Party Payers for inpatient and/or outpatient services.
 - Q. Refer to Performance Manager for the Job Description's on the Blount Memorial Hospital Home Page under applications for LPN Utilization Review Nurse, RN Utilization Review Nurse, and RN Case Manager.
- V. Activities assumed by the UR Department:
- A. The UR Department coordinates and supports the CM UR committee. This committee oversees the progress made within the UR Dept.
 - B. The UR Department applies the most current versions of UR guidelines (Interqual) when making decisions based upon review of the patient medical records. The UR Department completes initial reviews and or continued stay reviews for authorization on all inpatient and/or observation stays.
 - C. The Case Management Supervisor will report information impacting the organization, such as financial, reimbursement, and or administrative to the Assistant Administrator/Chief Nursing Officer.
 - D. The UR staff work closely with the financial counselors and or the Business Office in decisions related to authorizations, denials, etc.
 - E. The UR Program has a system in place to seek authorization, when needed, from Third Party Payers.
 - F. The UR Department maintains staff that is appropriately trained to complete necessary reviews, authorizations, and/or other tasks within the department.
 - G. Oversight of UR functions is the responsibility of the Case Management Director, who reports directly to the Assistant Administrator/Chief Nursing Officer.
 - H. The CM Director is licensed RN in the State of Tennessee, who has at least five (5) years experience in CM, with experience in acute care, and, who can demonstrate competency in performing UR functions.

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- I. The Department's UR Nurses and/or Case Managers are licensed LPN's and RN's in the State of Tennessee.
- VI. The Utilization Review Committee:
 - A. The Committee will consist of:
 1. Two physicians
 2. Two members that perform the Utilization Review process.
 3. Assistant Administrator/Chief Nursing Officer
 4. The Associate Nurse Executive
 5. The Director of Quality Management
 - B. The meetings will be held quarterly and the meetings will be held as confidential and privileged information.
 - C. Responsibilities of the Utilization Review Committee:
 1. To establish and oversee the Utilization Review Plan and policies attached to the Utilization Review Plan.
 2. The UR Committee will make recommendations for changes and conditions to the policies within the committee.
 3. To recommend changes to hospital procedures, medical staff practices and continuing education programs.
 4. To act on any topics referred to them by the Medical Staff, Administration, or other hospital committees.
 5. To address over-utilization issues such as:
 - a. Extended length of stay, sub-grouped by reason:
 - 1). Discharge planning or placement barriers.
 - 2). Lack of patient/family action for placement.
 - 3). Lack of physician discharge order when continued stay is not supported by intensity of service criteria when the patient has met discharge screens.
 - b. Social admission/or admission for placement.
 - c. Inpatient admissions with 24 hour length of stay that are denied inpatient status with recommendations for observation.
 - d. Care that could have been provided at a lower level of care.
 - D. To address under-utilization issues such as:
 1. Readmissions for same or similar diagnosis within 72 hours of previous admission, emergency care or ambulatory surgery; related to disease exacerbations, inappropriate discharge planning, patient or caregiver lack of compliance or failure to follow through with discharge plan/physician post hospitalization appointments, and possible premature discharges.
 2. Patients discharged prior to meeting discharge screens.

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Approved by: Case Management Steering Team, 9/20/2012

Utilization Review Committee, 4/26/2013

Prepared by: K. Lamon, RN, Case Management Supervisor, 9/2012

Revised by: K. Lamon, RN, Director of Case Management, 5/2013, 5/2014, 9/15/2015

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I. Rights and Responsibilities of Patients:

- A. Patients have a fundamental right to considerate care that safeguards their personal dignity and respects their cultural, family, psychosocial, and spiritual values. The basic rights of human beings for independence of expression, decision-making and actions, and concern for personal dignity and respect are always of great importance and become a vital factor in successful outcomes. It is a prime responsibility for the hospital staff and physicians to promote consideration of patient values and preferences, including the decision to accept or refuse treatment.
- B. Blount Memorial Hospital will inform each patient, or when appropriate, the patient's representative of the patient's rights, in advance of furnishing or discontinuing patient care whenever possible.
- C. Pediatric patients (age less than 18) are entitled to the same rights and responsibilities based on their age specific and developmental needs. These rights and responsibilities are shared with the child and his/her parent(s) and/or legal representatives. These rights and responsibilities will be explained to the child in language specific to their developmental age and understanding in as much as possible along with the help of the parents or legal representatives. Every effort will be made to respect the child and his/her level of understanding about the care and services.
- D. In providing care and services, the hospital has the right to expect behavior on the part of patients and their relatives and friends, which, considering the nature of their illness is reasonable and responsible. The patient or designated representative receives a copy of the patient rights and responsibilities upon admission to the hospital. While the written copy of patient rights is not inclusive of all these stated rights and responsibilities, it is the responsibility of the staff and physicians to be aware of these rights and responsibilities and to be able to assist the patient or refer the patient to the appropriate persons in the event any of these rights or responsibilities cannot be addressed to the patient's satisfaction. If patients have any questions regarding these rights or responsibilities, they are encouraged to discuss them with their professional caregivers. Referrals may include customer advocate, risk management, social services, case management, quality management, Ethics Advisory Committee, and palliative care.
- E. These statements on patient rights and responsibilities do not presume to be all-inclusive. They are intended to convey the importance the hospital places on the patient's right to treatment and services that are respected and supported. The word patient is inclusive of patient, family, patient's designated representative, and significant others as identified by the patient, advanced directive and/or law. The following basic rights and responsibilities of patients are considered reasonably applicable for all patients, families, legal representatives, and significant others.
- F. It is understood that the providers of care will need to adapt explanations to the patient based on the patient's ability to understand and the life-span development from infancy to geriatrics. This shall include any alteration in abilities, such as language, cognition,

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speech, and hearing. The family and/or lawfully authorized surrogate will participate in care decisions as warranted.

- G. A refusal by the hospital of a patient's request to be treated as the patient's representative must be documented in the patient's medical record, along with the specific basis for the refusal.

II. Patient Rights:

- A. Involvement in Aspects to Care: Patients are involved in at least the following aspects of their care:

1. Giving informed consent;
2. Making informed care decisions, including being able to request or refuse treatment. (This right must **not** be construed as a mechanism to demand the provision of treatment or services deemed medically unnecessary or inappropriate.)
3. Resolving dilemmas about care decisions, including managing pain effectively;
4. Formulating advance directives;
5. Withholding or withdrawing life-sustaining treatment; and
6. Receiving care at the end of life;
7. Inpatient/treatment/care plan, outpatient treatment/care plan, discharge plan and pain management plan
8. Identify a "support person" who could be a family member, friend, or other individual who supports the patient during the course of the hospital stay. The hospital will accept a patient's designation, orally or in writing, of an individual as the patient's support person.

- B. Access Care:

1. Individuals will be accorded reasonable access to treatment or accommodations that are available or medically indicated, regardless of race, creed, sex, national origin, or sources of payment for care.
2. Admission to or transfers from the hospital are based on the patient's need for services, including the hospital's ability to provide those services.
3. The hospital's responsibility to provide access to care is governed by The Americans with Disabilities Act (ADA) and other applicable laws and regulations.

III. Respect and Dignity:

- A. The patient has the right to considerate, respectful care based on his/her personal values and beliefs at all times and under all circumstances.
- B. The interactions staff emulates to provide care and services reflect a fundamental concern with and respect for patient's rights.
- C. The dying patient has the right to privacy and confidentiality consistent with his or her decision or that of his or her lawfully authorized surrogate and applicable law, to receive treatment for his or her primary and secondary symptoms of illness, including pain

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management and psychosocial and spiritual concerns of both the patient and family regarding dying and the expression of grief by the patient and family.

- IV. Privacy and Confidentiality: The patient has the right, within the law, to personal and informational privacy, as manifested by the following:
- A. To refuse to talk with or see anyone not officially connected with the hospital, including visitors, or persons officially connected with the hospital but not directly involved in his/her care.
 - B. To wear appropriate personal clothing and religious or other symbolic items, as long as they do not interfere with diagnostic procedures or treatment. This may include items such as photographs, personal toys, and security blanket brought from home.
 - C. To be interviewed and examined in surroundings designed to provide reasonable visual and auditory privacy. This includes the right to have a person of one's own sex (or parent/guardian) present during certain parts of a physical examination, treatment, or procedure performed by a health professional of the opposite sex and the right not to remain disrobed any longer than is required for accomplishing the medical purpose for which the patient was asked to disrobe.
EXCEPTION: Surgical or invasive procedures for which an outside person would be contraindicated.
 - D. To expect that any discussion or consultation involving his/her case will be conducted discreetly and that individuals not involved in his/her care will not be present without his permission.
 - E. To have his/her medical record read only by individuals directly involved in his/her treatment or in the monitoring of its quality and by other individuals only on his/her written authorization of his/her legally authorized representative.
 - F. To expect all communications and other records pertaining to his/her care, including the source of payment for treatment, to be treated as confidential.
 - G. To request a transfer to another room if another patient or visitor in the room is unreasonably disturbing him/her or the noise level in the room is excessive.
 - H. To request, receive or refuse pastoral care.
- V. Personal Safety and Security:
- A. The patient has the right to expect reasonable safety insofar as the hospital practices and environment are concerned.
 - B. The patient has the right to access protective services when considered necessary for personal safety. This includes adult and child protective services as appropriate.
- VI. Identity:
- A. The patient has the right to know the identity and professional status of individuals providing service to him/her and to know which physician or other practitioner is primarily responsible for his/her care.

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- B. The patient has the right to know of the existence of any professional relationship among individuals who are treating him/her, as well as the relationship to any other health care or educational institutions involved in his/her care.
- C. The patient has the right to know if a caregiver is a student and who is the student's educational preceptor or instructor. The patient has the right to request that a student not provide specified care and services or request direct student supervision by a professional caregiver.

VII. Information:

- A. The patient has the right to obtain, from the practitioner responsible for coordinating his/her care, complete and current information concerning his/her diagnosis (to the degree known), treatment, and any known prognosis. This information should be communicated in terms the patient can reasonably be expected to understand. When it is not medically advisable to give such information to the patient, the information should be made available to the surrogate decision-maker or legal guardian.
- B. The patient has the right to have appropriate information in order to be informed about and participate in decisions regarding his/her care and to participate in ethical questions that arise in the course of his/her care, including issues of conflict resolution, withholding resuscitative services, forgoing or withdrawal of life-sustaining treatment, and participation in investigational studies or clinical trials.

VIII. Communication:

- A. Communication and information are important areas of rights and respect for patients. Patients will be provided effective communication, including the hearing and speech impaired and the patient has a right to communicate complaints about his/her care and have those complaints reviewed and, when possible, resolved.
- B. The patient has the right of access to people outside the hospital by means of visitors, and by verbal and written communication.
KEY POINT: Visitors will not be restricted or denied visits on the basis of race, color, national origin, religion, sex, gender identity, sexual orientation or disability. Visitors will enjoy full and equal visitation privileges consistent with patient preference.
- C. When the patient does not speak or understand the predominant language of the community, he/she shall have access to an interpreter.
- D. The patient may designate a decision-maker in case he/she is incapable of understanding a proposed treatment or procedure or is unable to communicate his/her wishes regarding care.
- E. A child has the right to have his/her parent/guardian present during when physicians and caregivers are providing instruction and medical care. Patients have the right to expect that the explanations will be age-specific in a language that the child and/or parent can understand. For an unemancipated minor or patient under guardianship, applicable law determines who is legally entrusted to act in the patient's best interest.

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- F. When the hospital restricts/limits a patient's visitors, mail, telephone calls, or other forms of communication, the restrictions/limitation must be clinically necessary or reasonable. Any restrictions/limitations will be fully explained to the patient and family and are determined with their participation.
KEY POINT: Visitors will not be restricted or denied visits on the basis of race, color, national origin, religion, sex, gender identity, sexual orientation or disability. Visitors will enjoy full and equal visitation privileges consistent with patient preference.
- G. The patient has the right to restrict visitors and request that nursing place a sign on the door requesting visitors to report to the nursing station.
- H. The patient has the right to participate in ethical questions that arise in the course of his/her care (refer to Ethics policy 1102).

IX. Consent:

- A. The patient has the right to information necessary to give informed consent or refuse a course of treatment and to collaborate with his or her physician in decisions involving his or her health care, including:
 - 1. The right to accept medical care or to refuse treatment to the extent permitted by law and to be informed of the medical consequences of such refusal;
 - 2. The right to formulate advance directives and appoint a surrogate to make health care decisions on his or her behalf to the extent permitted by law;
 - 3. The right to participate (or have the patient's designated representative participate) in the consideration of ethical issues that arise in the care of the patient;
 - 4. The right of the patient's authorized responsible person to exercise, to the extent permitted by law, the rights delineated on behalf of the patient if the patient:
Has been declared incompetent in accordance with law,
 - a. Is found by his other physician to be incapable of understanding the proposed treatment or procedure,
 - b. Is unable to communicate his or her wishes regarding treatment, or
 - c. Is an unemancipated minor.
- B. To the degree possible, health care decisions should be based on a clear concise explanation of the patient's condition and the proposed plan of care, including the potential benefits, risks, side effects (including potential problems that might occur during recuperation) and alternatives. The patient should not be subjected to any nonemergent procedures without his or her consent or that of his or her appropriately chosen surrogate.
- C. The patient shall be informed if the hospital or physician proposes to engage in or perform human experimentation or other research/educational projects affecting his or her care or treatment, and the patient has the right to refuse to participate in any such activity.

X. Consultation:

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- A. The patient, at his/her own request and expense, has the right to consult with a specialist.
 - B. If the consultant is not available, is not acceptable to the patient or cannot see the patient in a reasonable time, the patient has the right to request another specialist, or a transfer to a hospital that can provide the consultation with the specialist to meet the needs and desires of the patient.
- XI. Education: School age patients who have been absent from school for greater than 14 days may have a homebound teacher provided by the school system that the patient attends. Arrangements must be made with the school system by the parent/guardian and the physician.
- XII. Refusal of Treatment:
- A. The patient may refuse treatment to the extent permitted by law. When refusal of treatment by the patient or his/her legally authorized representative prevents the provision of appropriate care in accordance with professional standards, the relationship with the patient may be terminated upon reasonable notice.
 - B. If the patient is a minor and the parent(s) or legal guardian refuses treatment that the physician deems necessary for the life or reasonable chance of recovery, the child will be accorded the right to children's protective services. An example of this right would be a parent, because of religious convictions, refusing blood transfusion for a minor.
 - C. The patient has a right to leave the hospital against medical advice (AMA). In the event the physician or professional staff thinks the patient is incapable of making a reasonable decision or the patient is a minor, the patient has the right to protective services via the Department of Human Services for adults or the Department of Children's Services for minors.
- XIII. Transfer and Continuity of Care:
- A. A patient may not be transferred to another facility unless he/she has received a complete explanation of the need for the transfer and of the alternatives to such a transfer and unless the transfer is acceptable to the other facility. (Refer to policy BMS1115).
 - B. The patient has the right to be informed by the practitioner responsible for his/her care, or his/her delegate, of any continuing health care requirements following discharge from the hospital.
- XIV. Hospital Rules and Regulations:
- A. The patient will be informed of the hospital rules and regulations applicable to his/her conduct as a patient, (example: Smoking Policy).
 - B. Patients are entitled to information about the hospital's process for the initiation, review and resolution of complaints.
- XV. Hospital Charges:

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- A. Regardless of the source of payment for his/her care, the patient has the right to request and receive an itemized and detailed explanation of the total bill for services rendered in the hospital.
 - B. The patient has the right to timely notice prior to termination of his eligibility for reimbursement by any third party payer for the cost of his/her care.
- XVI. Outcomes of Care:
- A. Patients and, when appropriate, the patient's family have the right to be informed about outcomes of care, including unanticipated outcomes.
 - B. Patients and, when appropriate, the patient's family must be knowledgeable of outcomes in order to make informed decisions.
 - C. The responsible licensed independent practitioner or designee informs the patient and, when appropriate, the patient's family of the outcomes of care.
- XVII. Dismissal of Physician:
- A. Patients have the right to dismiss a physician (attending or consultant).
 - B. Upon the request of the patient/surrogate, the attending physician will be notified and will facilitate the process on a case-by-case basis.
- XVIII. Patient Responsibilities:
- A. Provision of Information: A patient has the responsibility to provide, to the best of his knowledge, accurate and complete information about present complaints, past illnesses, hospitalizations, medications, and other matters relating to his/her health. He/she has the responsibility to report unexpected changes in his/her condition to the responsible practitioner. A patient is responsible for reporting whether he/she clearly comprehends a contemplated course of action and what is expected of him/her.
 - B. Compliance with Instructions: A patient is responsible for following the treatment plan recommended by the practitioner primarily responsible for his/her care. This may include following the instructions of nurses and allied health personnel as they carry out the coordinated plan of care and implement the responsible practitioner's orders, and as they enforce the applicable hospital rules and regulations. The patient is responsible for keeping appointments and, when he/she is unable to do so for any reason, for notifying the responsible practitioner or the hospital.
 - C. Refusal of Treatment: The patient is responsible for his actions if he/she refuses treatment or does not follow the practitioner's instructions.
 - D. Financial Obligation: The patient is responsible for assuring that the financial obligations of his/her health care are fulfilled as promptly as possible.
 - E. Hospital Rules and Regulations: The patient is responsible for following hospital rules and regulations affecting patient care and conduct.
 - F. Respect and Consideration: The patient is responsible for being considerate of the rights of other patients and hospital personnel and for assisting in the control of noise and the

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number of visitors, and for refraining from smoking. The patient is responsible for being respectful of the property of other persons and of the hospital.

Approved by: Patient Care Practice Committee, 7/2000, 12/2004
Risk Management Team, June 2003, 1/5/2011, 11/5/2012
Medical Executive Committee, January 2005

Revised by: E. Feeback, Director of Palliative Care, 5/20/2008
M. Tucker, Policy Coordinator, 1/2011
P. Putnam, Risk Management Director, 11/2012

Reference: CMS Hospital Interpretive Guidelines, 12/2/2011

APPENDIX SECTION C

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

7 (c)

Hospital License

Board for Licensing Health Care Facilities



State of Tennessee

0000000004

No. of Beds 0304

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

BLOUNT MEMORIAL HOSPITAL INC. to conduct and maintain a

Hospital

BLOUNT MEMORIAL HOSPITAL

Located at

907 EAST LAMAR ALEXANDER PARKWAY, MARYVILLE

County of

BLOUNT

, Tennessee.

This license shall expire APRIL 15, 2016, *and is subject*

to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State this 15TH *day of* APRIL, 2015.

GENERAL HOSPITAL
PEDIATRIC BASIC HOSPITAL
TRAUMA CENTER LEVEL 3

In the Distinct Category(ies) of:



By James J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By John J. Davis, MD
COMMISSIONER

APPENDIX SECTION C
CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE
7 (d)
Joint Commission Letter
Showing
Evidence of Standards Compliance



January 8, 2016

I. D. Heinemann, BS, MS, FACHE
Administrator
Blount Memorial Hospital, Inc.
907 East Lamar Alexander Parkway
Maryville, TN 37804-5016

Joint Commission ID #: 7865
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 12/29/2015

Dear Mr. Heinemann:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning October 24, 2015. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark G. Pelletier, RN, MS

Chief Operating Officer

Division of Accreditation and Certification Operations



Official Accreditation Report

Blount Memorial Hospital, Inc.
907 East Lamar Alexander Parkway
Maryville, TN 37804-5016

Organization Identification Number: 7865

Evidence of Standards Compliance (60 Day) Submitted: 12/29/2015

The Joint Commission

Executive Summary

Program(s)

Hospital Accreditation

Home Care Accreditation

Submit Date

12/29/2015

Hospital Accreditation :

As a result of the accreditation activity conducted on the above date(s), there were no Requirements for Improvement identified.

You will have follow-up in the area(s) indicated below:

- Measure of Success (MOS) – A follow-up Measure of Success will occur in four (4) months.

Home Care Accreditation :

As a result of the accreditation activity conducted on the above date(s), there were no Requirements for Improvement identified.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

The Joint Commission

Requirements for Improvement – Summary

Program	Standard	Level of Compliance
HAP	EC.02.05.01	Compliant
HAP	EC.02.06.01	Compliant
HAP	IC.01.02.01	Compliant
HAP	IM.02.01.03	Compliant
HAP	LS.02.01.35	Compliant
HAP	PC.01.03.01	Compliant
HAP	PC.02.03.01	Compliant
HAP	PC.03.05.05	Compliant
HAP	RI.01.03.01	Compliant
OME	EQ.01.05.01	Compliant
OME	HR.01.03.01	Compliant
OME	HR.01.04.01	Compliant
OME	LD.01.03.01	Compliant
OME	LD.04.02.03	Compliant
OME	MM.05.01.19	Compliant
OME	PI.01.01.01	Compliant
OME	RC.01.02.01	Compliant
OME	RC.01.04.01	Compliant

The Joint Commission Summary of CMS Findings

CoP: §484.36 **Tag:** G202 **Deficiency:** Compliant

Corresponds to: OME

Text: §484.36 Condition of Participation: Home Health Aide Services

CoP Standard	Tag	Corresponds to	Deficiency
§484.36(d)(2)	G229	OME - HR.01.03.01/EP14	Compliant

CoP: §484.52 **Tag:** G242 **Deficiency:** Compliant

Corresponds to: OME

Text: §484.52 Condition of Participation: Evaluation of the Agency's Program

CoP Standard	Tag	Corresponds to	Deficiency
§484.52(b)	G250	OME - RC.01.04.01/EP2	Compliant

CoP: §484.52 **Tag:** G247 **Deficiency:** Compliant

Corresponds to: OME - LD.01.03.01/EP17

Text: are maintained separately as administrative records.

CoP: §484.10 **Tag:** G100 **Deficiency:** Compliant

Corresponds to: OME

Text: §484.10 Condition of Participation: Patient Rights

CoP Standard	Tag	Corresponds to	Deficiency
§484.10(e)(1)	G113	OME - LD.04.02.03/EP9	Compliant

CoP: §418.100 **Tag:** L649 **Deficiency:** Compliant

Corresponds to: OME

Text: The hospice must organize, manage, and administer its resources to provide the hospice care and services to patients, caregivers and families necessary for the palliation and management of the terminal illness and related conditions.

CoP Standard	Tag	Corresponds to	Deficiency
§418.100(g)(1)	L661	OME - HR.01.04.01/EP21	Compliant

CoP: §418.106 **Tag:** L687 **Deficiency:** Compliant

Corresponds to: OME

Text: Medical supplies and appliances, as described in §410.36 of this chapter; durable medical equipment, as described in §410.38 of this chapter; and drugs and biologicals related to the palliation and management of the terminal illness and related conditions, as identified in the hospice plan of care, must be provided by the hospice while the patient is under hospice care.

**The Joint Commission
Summary of CMS Findings**

CoP Standard	Tag	Corresponds to	Deficiency
§418.106(e)(2)(i)(C)	L697	OME - MM.05.01.19/EP11	Compliant

CoP: §482.13 **Tag:** A-0115 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.13 Condition of Participation: Patient's Rights

A hospital must protect and promote each patient's rights.

CoP Standard	Tag	Corresponds to	Deficiency
§482.13(e)(6)	A-0169	HAP - PC.03.05.05/EP2	Compliant

CoP: §482.23 **Tag:** A-0385 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.23 Condition of Participation: Nursing Services

The hospital must have an organized nursing service that provides 24-hour nursing services. The nursing services must be furnished or supervised by a registered nurse.

CoP Standard	Tag	Corresponds to	Deficiency
§482.23(b)(4)	A-0396	HAP - PC.01.03.01/EP5	Compliant

CoP: §482.24 **Tag:** A-0431 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.24 Condition of Participation: Medical Record Services

The hospital must have a medical record service that has administrative responsibility for medical records. A medical record must be maintained for every individual evaluated or treated in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.24(c)(4)(v)	A-0466	HAP - RI.01.03.01/EP13	Compliant
§482.24(b)	A-0438	HAP - IM.02.01.03/EP6	Compliant

CoP: §482.41 **Tag:** A-0700 **Deficiency:** Compliant

Corresponds to: HAP - EC.02.05.01/EP1

Text: §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(a)	A-0701	HAP - EC.02.06.01/EP1	Compliant
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.35/EP4	Compliant

**The Joint Commission
Summary of CMS Findings**

CoP: §482.42 **Tag:** A-0747 **Deficiency:** Compliant

Corresponds to: HAP - IC.01.02.01/EP1

Text: §482.42 Condition of Participation: Infection Control

The hospital must provide a sanitary environment to avoid sources and transmission of infections and communicable diseases. There must be an active program for the prevention, control, and investigation of infections and communicable diseases.

CoP: §418.76 **Tag:** L607 **Deficiency:** Compliant

Corresponds to: OME

Text: §418.76 Condition of participation: Hospice aide and homemaker services.

CoP Standard	Tag	Corresponds to	Deficiency
§418.76(h)(1)(i)	L629	OME - HR.01.03.01/EP14	Compliant

CoP: §418.104 **Tag:** L670 **Deficiency:** Compliant

Corresponds to: OME

Text: §418.104 Condition of participation: Clinical records.

CoP Standard	Tag	Corresponds to	Deficiency
§418.104(b)	L679	OME - RC.01.02.01/EP9	Compliant



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

April 1, 2016

Jane Nelson

Assistant Administrator, Blount Memorial Hospital

907 E. Lamar Alexander Parkway

Maryville, TN 37804

RE: Certificate of Need Application -- Blount Memorial Hospital - CN1603-011

The establishment of a 14 treatment room 17,250 GSF free standing Emergency Department to be located at 2410 Highway 411 South, Maryville (Blount County), Tennessee 37801. The proposed facility will be operated under the license of Blount Memorial Hospital, Inc., and include ancillary services including but not limited to medical lab, CT, X-Ray and ultra-sound. The estimated project cost is \$7,887,351.

Dear Ms. Nelson:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on April 1, 2016.. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency may review your application on June 22, 2016.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Melanie M. Hill".

Melanie M. Hill
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA




State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill 
Executive Director

DATE: April 1, 2016

RE: Certificate of Need Application
Blount Memorial Hospital - CN1603-011

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on April 1, 2016 and end on June 1, 2016.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Jane Nelson, Administrator, Blount Memorial Hospital



**Blount Memorial
Hospital**

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

Robert Redwine
President of the Board

Dr. Ted Flickinger
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

March 3, 2016

Melanie M. Hill
Executive Director
TN Health Services & Development Agency
502 Deaderick Street
Andrew Jackson Building – 9th Floor
Nashville, TN 37243

Dear Ms. Hill:

Enclosed please find a Letter of Intent on behalf of Blount Memorial Hospital, Maryville, TN 37804. The Publication of Intent is being published simultaneously in the Legal Notices section of the Daily Times and a copy of the publication will be provided with the application. The Hospital is proposing to establish a free standing Emergency Department that would operate under the Hospital's license and serve as an extension of the existing main campus Emergency Room.

The Certificate of Need Application will be forthcoming early next week, and within 5 days of submitting this Letter of Intent.

Sincerely,

Jane T. H. Nelson
Assistant Administrator

Enc.

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Daily Times which is a newspaper of general circulation in Blount County, Tennessee, on or before March 4, 2016 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Blount Memorial Hospital, Incorporated, a hospital facility, owned by: Blount Memorial Hospital, Incorporated, a not-for-profit corporation and governmental entity located at 907 E. Lamar Alexander Parkway, Maryville, Tennessee, and to be managed by: Blount Memorial Hospital, Incorporated intends to file an application for a Certificate of Need for the construction and establishment of a free standing Emergency Department at its existing property located at 2410 Highway 411 South, Maryville, TN 37801. The proposed free standing Emergency Department will operate as an extension of the existing hospital emergency department and will be operated under the hospital license of Blount Memorial Hospital. The proposed facility will consist of 17,250 gross square feet of new construction and will include fourteen emergency treatment rooms, including diagnostic capabilities, patient registration and wait areas, and staff support areas. The project does not involve additional inpatient beds, major medical equipment, or initiation of services for which a certificate of need is required. The total cost of the project including construction, site development, architect & engineering fees, contingencies, and equipment is estimated to be \$7,887,351.

The anticipated date of filing the application is March 8, 2016

The contact person for this project is Jane Nelson, Assistant Administrator who may be reached at : Blount Memorial Hospital, 907 E. Lamar Alexander Parkway, Maryville, Tennessee, 37804, (865) 981-2310


(Signature)

February 25, 2016
(Date)

Jnelson@bmnet.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. 68-11-1607c(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #1 -Original-

Blount Memorial Hospital

CN1603-011



**Blount Memorial
Hospital**

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

SUPPLEMENTAL #1

March 18, 2016

3:34 pm *Robert Redwine*
President of the Board

David Pesterfield
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

March 15, 2015

Phillip Earhart
HSD Examiner
Tennessee Health Services Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN 1603-011 – Supplemental information requested

Dear Mr. Earhart:

In response to the additional information posed with regard to the above referenced Certificate of Need, the following responses are submitted:

1. Section A., Applicant Profile, Item 1

The applicant has listed the proposed project's address as 907 East Lamar Alexander Parkway, Maryville, TN. However, the LOI indicates the address is 2410 Highway 411 South, Maryville, TN. Please revise and submit a replacement page.

Response:

Please note the revision on the corrected Applicant Profile enclosed in Attachment A-1

2. Section A., Applicant Profile, Item 4

It is noted Blount Memorial Hospital was incorporated in 1946. However, please document the applicant is an active non-profit organization registered with the Tennessee Secretary of State. The web-site is: tnbear.tn.gov/Ecommerce/FilingDetail.

Response:

Enclosed please find a copy of the Tennessee Secretary of State form that shows that Blount Memorial Hospital is registered with the State as a NCORP in Attachment A-4.

3. Section A., Applicant Profile, Item 6

The warranty deed is noted. However, the deed does not specifically list the address of the property as 2410 Highway 411 South, Maryville, TN. Please clarify.

Response:

The warranty deed does not have to contain the specific address on the document, and since the property is vacant, no specific number was assigned by E911 at the time. Please note a letter from our attorneys Goddard and Gamble, who represented the Hospital in this transaction, verifying this information in Attachment A-6.

4. Section A., Applicant Profile, Item 9

The applicant lists 76 Nursing facility licensed beds in the bed complement chart. However, the Tennessee Department of Health's web-site indicates the applicant is licensed for 304 beds. Are the 76 nursing facility beds separately licensed as a nursing home? Please clarify.

Response:

Yes, the 76 bed Nursing facility is a Blount Memorial Hospital, Inc. facility licensed as nursing home beds under license # 00000000365. A copy of the license is included for your reference in Attachment A-9.

5. Section A., Applicant Profile, Item 13

The applicant states there are no relationships with out of area TennCare MCO's; however, there are no longer regionally contracted TennCare MCOs in Tennessee. Please clarify.

Response:

You are correct – there are no out of area TennCare MCO's. We are contracted with all three that operate in this State.

6. Section B., Project Description, Item I.

What is the distance from Blount Memorial Hospital's main campus to the proposed ED site?

Response:

The proposed site is 2.2 miles from Blount Memorial's main campus.

Please provide an overview of the applicant's experience in operating a satellite emergency facility.

Response:

March 18, 2016**3:34 pm**

While the hospital management has not operated a 'free standing' emergency department, we have operated an emergency department since the hospital began operations in 1947. The operation of a free standing emergency department would not be different from the main campus. We have a Director of our Emergency Department with twenty-seven years of experience in managing emergency services and critical care services, with a Master's of Science in Nursing and a Doctorate in Health Care Administration. We contract with Align, MD, an experienced emergency physician group with years of experience in emergency care.

If approved, what emergency services would require a patient transport to the main emergency department from the free standing emergency department?

Response:

Our Emergency Department serves as medical control for our service area and the emergency transport system (Rural Metro) will contact our ER physicians if they need guidance as to the appropriate destination for patients based on their medical condition. We have already met with Rural Metro to discuss the project and we intend to continue to work closely with Rural Metro during the implementation planning phase of the project. Patients with an acute MI, multi-system trauma, stroke, and severe head injuries would likely be taken to a main campus ER by emergency transport. However, there may be occasion when a family member brings a patient to the free standing ER with one of these conditions, and just as at an on-campus ER, the patient will be seen, treated, stabilized and transferred to the appropriate facility for continued care as needed.

Please clarify if mobile crisis staff will have access to conduct assessment. If so, where? Where will law enforcement be located?

Response:

As noted in the application, we plan on designating at least two seclusion rooms in which mobile crisis staff will have access to conduct assessments. We do not have law enforcement staff at our main emergency department and utilize our own security department to staff the area and would utilize our security staff for the free-standing emergency department as needed.

Many times emergency room copays are waived if the patient is admitted inpatient. Please clarify if this arrangement is possible at the proposed satellite ED.

March 18, 2016**3:34 pm****Response:**

Co-pays are determined by the managed care organization and the individual's plan benefit design and would be the same for any emergency room whether it is on the main campus or a free standing location.

Please clarify if an ambulance will be stationed at the satellite ED 24 hours/day, 7 days/week, 365 days/year for life-threatening transports to full service hospitals.

Response:

We have no plans at this time for an ambulance to be stationed at the satellite ED 24 hours/day, 7 days/week, 365 day/year. Through medical control, we plan to be as prepared as reasonable to limit the conditions that would need transport, but in the event it is necessary, the free standing ED staff will be capable of managing life threatening conditions just as the main campus ED manages life threatening conditions until it is necessary to move the patient to major trauma center if needed.

Please provide an overview of Align, MD and their experience of staffing a free standing Emergency Department. In your response, please include when the hospital contracted with Align, MD and why.

Response:

Align, MD provides emergency physician coverage for twenty-eight emergency departments in seven states, ranging from level one trauma centers to more rural settings. The Hospital selected Align, MD as the organization was invested in metric driven performance improvement initiatives and we had reason to believe we could improve the efficiency of the operation of the hospital's emergency services and expedite the care of patients. Our key metrics support the fact that Align, MD has proven to be the right partner in improving the operational efficiency.

Please discuss the capabilities of the proposed Emergency Department for those patients that present with signs/symptoms of heart attack. In your response, please discuss how the proposed freestanding emergency department would be different from the main hospital campus in terms of available resources.

Response:

The local EMS will direct patients with signs or symptoms of a possible heart attack to a main campus emergency department. However, should a patient develop symptoms of a possible heart attack in the free standing emergency department they would be appropriately seen, treated, stabilized and transported to the hospital for follow-up care as soon as it was safe to transport the patient. If someone is having an acute MI, it's to their advantage to go to the closest facility.

March 18, 2016**3:34 pm****7. Section C, project description, Item II.A and II.D**

The shelled space for future use is noted. If possible, please discuss the future plans for the shelled space.

Response:

While no definitive use of the shelled space has been determined, we felt it prudent to plan for the possible need to expand treatment room capability or diagnostic capability that may be unforeseen initially.

What plans were considered in adding a helipad to the site to facilitate rapid transport to major trauma centers?

Response:

We determined it was not necessary to add a helipad to the site as our main campus has a helipad on site and patients with conditions that would likely need transport to a major trauma center would be sent to the main campus ED rather than the free standing ED.

How many patients were transported by air ambulance from Blount Memorial Hospital to other hospitals in 2014?

Response:

In 2014, nine patients were transported by air ambulance to another hospital from Blount Memorial Hospital's ED.

Please complete the following table by indicating the number of treatment rooms, stations, and square footage for the existing hospital Emergency Department (ED) and proposed satellite ED.

Patient Care Areas other Than Ancillary Services	Hospital ED	Satellite ED	Combined ED's
Total Exam/Treatment Rooms	27	14	41
Multipurpose	11	9	30
Holding/Secure/Psychiatric	4	2	6
Isolation	2	1	3
Trauma	10	2	12
Triage stations	3	1	4
Decontamination Rooms/Stations -	*	1 room	
GST of Main and Satellite ED's	16,042	17,250	33,292

- We have a decontamination station located outside of the ED at our main campus that can serve multiple patients.

8. Section B, Project Description, Item III.A and III. B.1

March 18, 2016**3:34 pm**

Item III.A - The plot plan for the proposed facility is noted. However, please include the size in acres and submit a revised plot plan.

Response:

Please note the revised plot plan in Attachment B-III.A that does include the size of the property in acres.

It is noted there are two roadways in the rear of the plot plan. Please discuss the purpose of the roadways and destination.

Response:

There are two roadways in the rear of the property, but the paved areas have no name and end just beyond our property with no destination at this time.

Item II. B1 –

Please provide a source for the provided daily traffic counts of 11,000 to 32,760 for Highway 411.

Response:

The hospital worked with PYA, a consulting firm, on another project and as part of that project, PYA provided the traffic counts from a proprietary source they utilize.

Please complete the following table that shows distance to existing Hospital EDs for the applicant's primary service area zip codes:

Response:

See the completed chart below.

Distance to Hospital EDs from Zip codes in Applicant's Service Area

			To Blount Memorial Freestanding ED		To Blount Memorial Main Campus ED	
Zip Code	Community	County	Distance miles	Drive in minutes	Distance miles	Drive in minutes
37737	Friendsville	Blount	8.6	11.0	9.70	17.0
37701	Alcoa	Blount	6.2	11.0	3.42	9.0
37777	Louisville	Blount	10.0	17.0	9.22	20.0
37801	Maryville	Blount	4.6	7.0	8.94	16.0
37802	Maryville	Blount	2.5	4.0	6.62	13.0
37803	Maryville	Blount	3.6	7.0	5.30	10.0
37804	Maryville	Blount	8.0	18.0	4.24	8.0
37853	Rockford	Blount	10.4	18.0	7.05	15.0
37878	Tallassee	Blount	23.0	33.0	16.82	34.0

March 18, 2016**3:34 pm**

			To Blount Memorial Freestanding Ed		To Blount Memorial Main Campus Ed	
Zip			Distance	Drive in	Distance	Drive in
Code	Community	County	miles	minutes	miles	minutes
37882	Townsend	Blount	20.9	33.0	16.64	24.0
37886	Walland	Blount	14.4	23.0	10.12	14.0
37742	Greenback	Loudon	11.9	16.0	17.54	29.0
37771	Lenoir City*	Loudon	23.6	33.0	24.73	38.0
37772	Lenoir City*	Loudon	21.5	29.0	22.61	32.0
37774	Loudon*	Loudon	29.2	35.0	33.54	45.0
37846	Philadelphia*	Loudon	37.9	46.0	39.02	53.0
37314	Coker creek*	Monroe	46.9	60.0	51.22	69.0
37354	Madisonville*	Monroe	25.4	33.0	29.69	43.0
37385	Tellico Plains*	Monroe	39.9	55.0	44.22	64.0
37874	Sweetwater*	Monroe	32.1	44.0	45.21	58.0
37885	Vonore	Monroe	20.0	24.0	24.4	35.0

***Note:** We do not consider these communities to be in our primary service area.

9. Section C, Need, Item 1 (Project Specific Criteria) Construction, Renovation, Item 3.a and Item 3.b

It is noted the applicant cites a standard of 1,500 visits per treatment room per year from the American College of Emergency Physicians. Please provide documentation and a source for the standard.

Response:

As indicated, the source is from the 2002 edition of the American College of Emergency Physicians provided by Cooper Architects.

The chart below outlines the American college of Emergency Medicine (ACEP) latest Guidelines for high and low estimates for emergency department areas and beds. Please complete the following chart for the proposed satellite emergency department and existing main emergency department for Year One of the project. In addition, please discuss the existing demand for the proposed project by using the guidelines found in the following chart.

Response:

I assumed that for the Hospital main ED you intended the last column to read "Estimated Area/Bed". See the response below.

March 18, 2016**3:34 pm****Emergency Department Design: A Practical Guide to Planning, 2002, American College of
Emergency Physicians – High and Low Estimates for dept. areas and beds**

<i>Projected Annual visits</i>	<i>Dept. Area</i>	<i>Gross</i>	<i>Bed Quantities</i>				
	<i>Low range dgsf</i>	<i>high range dgsf</i>	<i>low bed Qty.</i>	<i>low visits /bed</i>	<i>high bed Qty.</i>	<i>high visits /bed</i>	<i>Estimated Area /Bed</i>
10,000	7,200	9,900	8	1250	11	909	900 dsgf/bed
20,000	13,500	17,100	15	1333	19	1053	900 dsgf/bed
30,000	17,500	22,750	20	1500	26	1154	875 dsgf/bed
40,000	21,875	28,875	25	1600	33	1212	875/dsgf/bed
50,000	25,500	34,000	30	1667	40	1250	850 dsgf/bed
60,000	29,750	39,950	35	1714	47	1277	850 dsgf/bed
70,000	30,000	44,550	40	1750	54	1296	825 dsgf/bed

Source: Emergency Department Design: A Practical Guide to Planning, 2002, American College of Emergency Physicians, Page 71, Figure 6.5.

Applicant – Blount Memorial Hospital Satellite ED

<i>Projected Visits Yr. 1</i>	<i>Total Square Footage</i>	<i>Beds</i>	<i>Visits Per Bed</i>	<i>Estimated Area per Bed</i>
18,427	17,250	14	1,316	1,232

Applicant – Blount Memorial Hospital Main ED

<i>Projected Visits Yr. 1</i>	<i>Total Square Footage</i>	<i>Beds</i>	<i>Visits Per Bed</i>	<i>Estimate Area per Bed</i>
45,227	16,042	27	1,675	594

It is noted the applicant projects a total of 133, 147 total ER visits for the 3 County service area in Year One of the proposed project. However, the applicant projects to capture on 63,654 ER visits or 47.8% of the total visits. Please discuss the outmigration of the remaining 52.2% ER patients and provide the latest statistics from the Tennessee Hospital Association indicating where ER patients from the 3 County service area received services for the most recent year available.

Response:

The project will serve to help off load the volume at the hospital's main campus ER. We do not consider all of Monroe and Loudon counties our primary service area – only select areas from those respective counties. Note the response in Item II.B 1 that indicates that Lenoir City, Loudon, Philadelphia, Coker creek, Madisonville, Tellico Plains and Sweetwater are not

March 18, 2016**3:34 pm**

considered part of our primary service area, though we do occasionally have patients who utilize our Emergency Department from those areas. Hence, we would not expect to capture a majority of the market when considering all three counties together. The latest statistics from the Tennessee Hospital Association indicating where ER patients reside from the 3 county service area by ER utilized shows:

Latest year of THA ER Utilization**July 2014 – June 2015**

County of Residence	Facility	Visits	Market Share
Blount	Blount Memorial	42,832	67.8%
	E.TN Childrens	6,231	9.9%
	Ft. Loudon Med. Cntr.	438	.7%
	Ft. Sanders Reg.	1,406	2.2%
	Parkwest Med. Cntr.	1,860	2.9%
	Sweetwater Hosp. Assn.	111	.2%
	Tennova – Turkey Crk.	473	.7%
	UT Medical Cntr.	8,506	13.5%
	Other	1,296	2.1%
TOTAL	All	63,153	100.0%
Loudon	Blount Memorial	2,013	6.8%
	E. TN Childrens	1,932	6.5%
	Ft. Loudon Med. Cntr.	15,145	51.2%
	Ft. Sanders Reg.	345	1.2%
	Parkwest Med. Cntr.	4,060	13.7%
	Sweetwater Hosp. Assn.	2,429	8.2%
	Tennova – Turkey Crk.	1,107	3.7%
	UT Medical Cntr.	1,473	5.0%
	Other	1,058	3.7%
TOTAL	All	29,562	100.0%
Monroe	Blount Memorial	3,309	9.8%
	E. TN Childrens	1,337	4.0
	Ft. Loudon Med. Cntr.	1,497	4.4%
	Ft. Sanders Reg.	132	.4%
	Parkwest Med. Cntr.	1,139	3.4%
	Sweetwater Hosp. Assn.	18,257	54.1%
	Tennova – Turkey Crk.	176	.5%
	UT Medical Cntr.	1,469	4.4%
	Other	6,418	19.0%
TOTAL	All	33,734	100.0%

March 18, 2016**3:34 pm****10. Section C, Need, Item 4.A.**

Your response to this item is noted. Using population data from the Department of health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for your proposed service area.

Response:**The chart below is completed.**

<i>Variable</i>	<i>Blount</i>	<i>Loudon</i>	<i>Monroe</i>	<i>3 County</i>	
				<i>Area</i>	<i>TN</i>
<i>Current Yr. 2016, Age 65 +</i>	26,259	15,089	10,398	51,746	1,092,119
<i>Projected 2020, Age 65 +</i>	30,754	17,908	12,384	61,046	1,267,962
<i>Age 65 +, % Change</i>	+ 17.1%	+ 18.7%	+ 24.7%	+18.0%	+16.1%
<i>Age 65+, % Total (2016)</i>	19.7%	27.8%	21.7%	22.0%	16.0%
<i>2016, Total Population</i>	133,236	54,261	47,980	235,477	6,811,303
<i>2020, Total Population</i>	139,725	57,923	50,062	247,710	7,112,424
<i>Total Pop. % Change</i>	+ 4.9%	+ 6.7%	+ 4.3%	+ 5.2%	+4.4%
<i>TennCare Enrollees</i>	23,206	9,459	12,154	44,819	1,515,333
<i>TennCare Enrollees</i>					
<i>% of Total Population</i>	17.4%	17.4%	25.3%	20.03%	22.2%
<i>Median Age Range*</i>	45-49	45-49	45-49	45-49	35-39
<i>Median Household Income</i>					
<i>(2010 dollars)</i>	\$41,736	\$47,206	\$35,833	\$41,592**	\$44,621
<i>Population % Below Poverty</i>					
<i>Level</i>	14.0%	14.3%	19.4%	15.9%**	18.3%

*Note: The exact median age was not available, so a range is provided. **The 3 county area figures are calculated as an average of the 3 counties.

11. Section C, Need, Item 4-B.

Please indicate if there are any medically underserved areas as designated by the U.S. Department of Health and Human Services in the 3 County service area.

Response:

According to the US Department of Health and Human Services website, as of 2012 Monroe and Loudon Counties were considered 'Whole County Medically Underserved Areas', and Blount County was considered a 'Partial County Medically Underserved Area'.

12. Section C, Need, Item 5

Please provide the historical ED visit volumes for each of the past three years for each hospital in Loudon and Monroe Counties by completing the following chart.

March 18, 2016**3:34 pm**

Hospital	2012 Visits	2013 Visits	2014 Visits	% change '12-'14
Ft. Loudon				
Med. Center	20,916	19,591	19,553	-6.5%
Sweetwater				
Hosp. Assoc.	23,553	23,455	24,846	+5.5%

13. Section C, Need, Item 6.

Blount Memorial Hospital's ED historical visits do not match the visits reported in the 2013 and 2014 Joint Annual Reports. Please explain. If needed, please revise and resubmit historical Ed visit data.

Response:

The JAR Data is correct. The Fiscal 2013 figure in historical data is correct. However, the Fiscal Yr. figures for 2014 and 2015 should be 51,194 and 54,502 respectively instead of 51,209 and 54,461 first reported for Fiscal Years '14 and '15.

Please clarify if the emergency visits reported for the years 2013-2015 on the bottom of page 19 were patients presented, or were treated.

Response:

The visits reflect patients presented.

The emergency use rates/1000 population on page 20 of the application is noted. However, please explain how the use rates were calculated.

Response:

The high and low use rates were calculated and an average was utilized and applied to the corresponding population data.

The applicant provides an analysis of several Zip Codes in the service area. For those not familiar with the service area, please provide a legible map of the Zip Codes in the 3 County service area.

Response:

Please note the enclosed map in Attachment C-6 showing zip codes in the 3 county area.

It is noted the applicant market share of ED visits in the 3 County service area was 37% in 2014, 39% in the first half of 2015, and is Projected to be 42% in 2018. What is the source of this data? Additionally, please provide market share for each county individually.

March 18, 2016**3:34 pm****Response:**

The source was THA Market IQ Data. The latest 12 months of Blount Memorial Hospital market share for each individual county is presented under questions 9C Need Item I and Item 3a & b of this correspondence and is repeated here:

Last 12 Months	
County	BMH Market Share
Blount County	67.8%
Loudon County	6.8%
Monroe County	9.8%

Please identify existing urgent care centers in the applicant's service area by completing the table below:

Response:

Though no Urgent Care Centers were found in our primary service area, the following facilities were listed as Urgent Care centers in Loudon and Monroe Counties. However, when two of the centers were contacted to verify hours, the telephone numbers had been disconnected.

Urgent Care Centers in Applicant's Proposed Service Area			
Urgent Care Center Name	Address	Distance from Proposed Ed	Operating Hours
Lakeway Urgent Care #	460 Medical Park Lenoir City, TN 37772	21.3 miles	M-F 8:30 am-6 pm; Sat. 10a-4p Sun. closed
Urgent Care of Sweetwater #	791 N. Main Street Sweetwater, TN 37874	32.3 miles	Not available
Fast Pace Urgent Care	791 New Highway 68 Sweetwater, TN 37874	34.6 miles	M-Th 8a-8p Fri. – 8a – 6p Sat. 8

Note: Lakeway Urgent Care and Urgent Care of Sweetwater were contacted to determine hours of operation, but the phones were disconnected and it is doubtful they are in operation.

Please complete the following table for ED patient origin by zip code for Calendar Year 2015 for zip codes with patient origin over 0.15%.

March 18, 2016**3:34 pm****ED visits by Residents of Applicant's 3 County Service Area, 2015**

Patient Zip Code	Patient Community	Patient County	Total Patients Treated	Cumulative Patients Treated	% by Zip Code	Cummulative %
37737	Friendsville	Blount	1,919	1,919	3.3%	3.3%
37701	Alcoa	Blount	3,193	8,267	5.5%	8.8%
37777	Louisville	Blount	3,155	21,267	5.5%	14.3%
37801	Maryville	Blount	13,000	21,906	22.5%	36.8%
37802	Maryville	Blount	639	31,843	1.1%	37.9%
37803	Maryville	Blount	9,937	41,887	17.2%	55.1%
37804	Maryville	Blount	10,044	43,285	17.4%	72.5%
37853	Rockford	Blount	1,398	43,554	2.4%	74.9%
37878	Tallassee	Blount	269	43,554	.5%	75.4%
37882	Townsend	Blount	1,200	44,754	2.1%	77.5%
37886	Walland	Blount	1,871	46,625	3.2%	80.7%
37742	Greenback	Blount	1,702	48,327	2.9%	83.6%
37771	Lenoir City	Loudon	109	48,436	.2%	83.8%
37772	Lenoir City	Loudon	110	48,546	.2%	84.0%
37774	Loudon	Loudon	147	48,693	.3%	84.3%
37846	Philadelphia	Loudon	0	48,693	0%	84.3%
37314	Coker creek	Monroe	5	48,698	.009%	84.3%
37354	Madisonville	Monroe	1,779	50,477	3.1%	87.4%
37385	Tellico Plains	Monroe	629	51,106	1.1%	88.5%
37874	Sweetwater	Monroe	195	51,301	.3%	88.8%
37885	Vonore	Monroe	919	52,220	1.6%	90.4%
Total for these zips			52,220		90.4%	

Please complete the following table for Blount Memorial patients treated from 2014 and 2015 and projected in 2016 and project Year One by level of care.

Blount Memorial Medical Center ED Utilization by Level of Care**Fiscal Year and FYTD for 2016**

Level of Care	Main ED 2014	Main ED 2015	Main ED Projected 2016	Main ED Year 1	Satellite ED Year 1	Combined ED's Year 1
I	3,602	3,759	4,652	3,618	368	3,082
II	11,103	10,117	7,379	7,236	1,659	9,447
III	14,607	16,033	15,936	11,759	6,081	18,745
IV	12,138	16,863	26,292	16,734	7,739	23,921
V	7,895	8,514	7,752	5,879	2,580	8,459
Total	49,345	55,286	62,011	45,227	18,427	63,654

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Please complete the following chart for projected ED utilization by zip code in Year 1 of the proposed Satellite ED project for zip codes with patient origin **over 0.15%**.

Satellite ED						
<u>Projected Utilization by Select Zip Codes in Applicant's Proposed Service Area, Year 1</u>						
Patient Zip Code	Patient City	Patient County	Patients Treated	Cumulative Patients Treated	% by Zip Code	Cumulative %
37801	Maryville	Blount	4054	4054	22.0%	22.0%
37802	Maryville	Blount	198	4252	1.2%	23.2%
37803	Maryville	Blount	3092	7344	16.8%	40.0
37737	Friendsville	Blount	1162	8506	6.3%	46.3%
37742	Greenback	Loudon & Blnt	1038	9544	5.6%	51.9%
37885	Vonore	Monroe	1382	10,926	7.5%	59.4%
Other Blount County			5387	16,313	29.2%	88.6%
Other Loudon County			322	16,635	1.7%	90.3%
Other Monroe County			1792	18427	9.7%	100.0%

NOTE: We did not predict volume by all zip codes. Could not locate population data by Cities – only county data.

14. Section C, Economic Feasibility, Item 4 (Historical Data Chart and Projected Data Chart)

It is noted in the Historical Data Chart the main ED in 2015 generated 54,461 ED visits in 2015 with Gross operating revenue of \$31,097,478. However, in the Projected Data Chart for the Free-Standing Ed the applicant projects 18,427 ED Visits in Year One while generating \$34,822,088 Gross Operating Revenue. Please explain how the new proposed project can exceed the main Blount Memorial Emergency Department in gross operating revenue while only providing 33% of the ED visits that was provided in 2015.

Response:

Please note in the application that the Historic Data chart ONLY reflects Gross Revenue from the ER Levels of care and does NOT include ancillary revenue. The ancillary revenues are recorded in the respective department in our historic data and we cannot distinguish revenue associated with the ER visits. However, we did attempt to determine ancillary revenue for the free-standing ER and included the figure in the Projected Data Chart.

There appears to be a calculation error in the Year 2015 column in the Historical Data Chart for Blount Memorial Emergency Department. Please revise and submit.

Response:

The error is duly noted and a corrected Historical Data Chart in provided in Attachment C-4.

March 18, 2016

3:34 pm

It is noted the applicant does not have a management contract. Please remove the \$55,000 designated in Year One and Year Two for a Medical Director under Management Fees in the Projected Data Chart, and include it in Other Expenses and resubmit a Projected Data Chart.

Response:

Please note the Medical Director fees have been included in Other Expenses and a new Projected Data Chart is submitted in Attachment C-4.

Please provide the following:

*Historical Data Chart for Blount Memorial – Total Hospital

Response:

Please note that the hospital's historical information is provided in the audited report, but is now also included in the Historical Data Chart format.

*Projected Data Chart for Blount Memorial – Total Hospital

Response:

An attempt has been made to project the Hospital's Income Statement for and is included in Attachment C-4.

*Projected Data chart – Main ED and Satellite ED Combined

Response:

A Projected Data Chart is included for both the Main ED and the Satellite ED in Attachment C-4.

15. Section C, Economic Feasibility, Item 9

The participation of the proposed ED facility in state and federal programs is noted. However, please also provide the overall payor mix projected for both the main campus ED and proposed satellite Ed in Year 1 by completing the table below.

Response:

Please refer to the chart on the next page.

The remaining page is left intentionally blank

March 18, 2016**3:34 pm**

Payor Source	Applicant's' Historical and Projected Payor Mix					
	Main Ed	As a %	Main Ed	As a % of	Satellite	As a %
	Gross	of Gross	Gross	Gross	ED Gross	Gross
	Operating Revenue	Operating Revenue	Operating Revenue	Operating Revenue	Operating Revenue	Opert. Rev.
	2014	2014	Year 1	Year 1	Year 1	
Medicare	\$10,125,884	40%	\$37,099,529	44%	\$14,328,835	40%
TennCare	\$ 7,341,266	29%	\$23,608,791	28%	\$10,388,406	29%
Commercial	\$ 5,316,089	21%	\$16,020,251	19%	\$ 7,880,859	22%
Self-pay	\$ 2,531,471	10%	\$ 7,588,540	9%	\$ 3,223,988	9%
TOTAL	\$25,314,709	100%	\$84,317,112	100%	\$35,822,088	100%

16. Section C, Contribution to Orderly Development, Item 3.

Your response is noted. Please provide a comparison of the clinical staff salaries in the proposal to prevailing wage patterns in the service areas either through comparison of the applicant's facility with similar previously approved projects within the primary service area, through the Tennessee Department of Labor & Workforce Development publications, or other published sources.

Response:

We are not able to compare our clinical staff salaries with other similar facilities as we cannot share this data. Further, there are no similar CON applications in our service area in which to make a comparison. We conduct our own salary studies utilizing Towers Watson Healthcare Package Surveys and Tennessee Hospital Association Compensation Survey to assure we offer competitive salaries. This is proprietary information that cannot be shared, but we do attempt to adjust salaries at the 50th percentile of the Towers Watson data as we perceive it to be more up to date information. However, our Human Resources department does review the Occupational Information Network which is a federal wage and salary site along with Tennessee Department of Labor & Workforce site. The Tennessee site often references the Federal site, and when we have reviewed the Knoxville MSA data we are at, or more often above the median rates reflected. Tennessee Department of Labor & Workforce data reaches across all industries and we find that data that reflects the healthcare industry, such as THA's data and Towers' data, is more relevant.

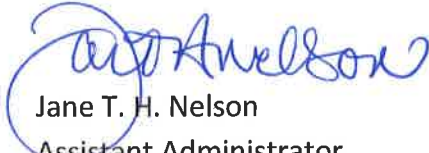
March 18, 2016

3:34 pm

A notarized Affidavit is included at the end of the letter.

Once you have had an opportunity to review my responses, please do not hesitate to contact me should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jane T. H. Nelson", is written over a circular blue ink stamp.

Jane T. H. Nelson
Assistant Administrator

Enc.

March 18, 2016

3:34 pm

AFFIDAVIT

STATE OF TENNESSEE

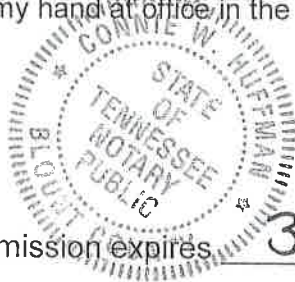
COUNTY OF Blount

NAME OF FACILITY: Blount Memorial Hospital, Incorporated

I, Jane T. H. Nelson, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Jane T. H. Nelson, Assistant Administrator
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 15th day of March, 2016
witness my hand at office in the County of Blount, State of Tennessee.



Connie W. Huffman
NOTARY PUBLIC

My commission expires 3-25-19

Attachments

- A-1 Corrected Applicant Profile
- A-4 Tennessee Secretary of State Document
- A-6 Letter from Goddard & Gamble
- A-9 Nursing Facility License
- B-III-A Plot Plan with Acreage
- C-4 Corrected Historical Data Chart
Adjusted Projected Data Chart
Total Hospital Historical Data Chart
Total Hospital Projected Data Chart -2018
Combined Emergency Department Projected Data Chart -2018
- C-6 Zip Code Map

March 18, 2016

3:34 pm

Attachment A-1

Corrected Applicant Profile

March 18, 2016**3:34 pm**1. Name of Facility, Agency, or InstitutionBlount Memorial Hospital, Inc.

Name

2410 Highway 411 South

Street or Route

Blount

County

Maryville

City

TN

State

37801

Zip Code

2. Contact Person Available for Responses to QuestionsJane T. H. Nelson

Name

Assistant Administrator

Title

Blount Memorial Hospital, Inc.

Company Name

jnelson@bmnet.com

Email Address

907 E. Lamar Alexander Parkway

Street or Route

Maryville

City

TN

State

37804

Zip Code

Employee

Association with Owner

865-981-2310

Phone Number

865-981-2333

Fax Number

3. Owner of the Facility, Agency or InstitutionBlount Memorial Hospital, Inc.

Name

865-981-2310

Phone Number

907 E. Lamar Alexander Parkway

Street or Route

Blount

County

Maryville

City

TN

State

37804

Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship _____

F. Government (State of TN or Political Subdivision) _____

B. Partnership _____

G. Joint Venture _____

C. Limited Partnership _____

H. Limited Liability Company _____

D. Corporation (for profit) _____

I. Other (specify) _____

E. Corporation (not-for-profit) X

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

March 18, 2016**3:34 pm****5. Name of Management/Operating Entity (If Applicable)****Not Applicable**

Name _____

Street or Route _____

County _____

City _____

State _____

Zip Code _____

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.****6. Legal Interest in the Site of the Institution (Check One)**

- | | | | |
|-------------------------|-------------------------------------|--------------------|-------|
| A. Ownership | <input checked="" type="checkbox"/> | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.****7. Type of Institution (Check as appropriate--more than one response may apply)**

- | | | | |
|--|-------------------------------------|--|-------|
| A. Hospital (Specify) Acute Care Facility | <input checked="" type="checkbox"/> | I. Nursing Home | _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | _____ | J. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | _____ | K. Recuperation Center | _____ |
| D. Home Health Agency | _____ | L. Rehabilitation Facility | _____ |
| E. Hospice | _____ | M. Residential Hospice | _____ |
| F. Mental Health Hospital | _____ | N. Non-Residential Methadone Facility | _____ |
| G. Mental Health Residential Treatment Facility | _____ | O. Birthing Center | _____ |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | _____ | P. Other Outpatient Facility (Specify) | _____ |
| | | Q. Other (Specify) | _____ |

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | | | |
|--|-------------------------------------|---|-------|
| A. New Institution | _____ | G. Change in Bed Complement | _____ |
| B. Replacement/Existing Facility | _____ | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | |
| C. Modification/Existing Facility | _____ | | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) Free Standing ER | <input checked="" type="checkbox"/> | H. Change of Location | _____ |
| E. Discontinuance of OB Services | _____ | I. Other (Specify) | _____ |
| F. Acquisition of Equipment | _____ | | |

SUPPLEMENTAL #1

Bed Complement Data Please indicate current and proposed distribution and certification of facility beds				March 18, 2016 3:34 pm		
		Current Beds		Staffed Beds	Beds Proposed	TOTAL Beds at Completion
		Licensed	*CON			
A	Medical	157	_____	90	_____	157
B	Surgical	94	_____	64	_____	94
C	Long-Term Care Hospital	_____	_____	_____	_____	_____
D	Obstetrical	12	_____	12	_____	12
E	ICU/CCU	25	_____	17	_____	25
F	Neonatal	_____	_____	_____	_____	_____
G	Pediatric	_____	_____	_____	_____	_____
H	Adult Psychiatric	8	_____	8	_____	8
I	Geriatric Psychiatric	_____	_____	_____	_____	_____
J	Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K	Rehabilitation	_____	_____	_____	_____	_____
L	Nursing Facility (non-Medicaid Certified)	76	_____	76	_____	76
M	Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N	Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O	Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P	ICF/MR	_____	_____	_____	_____	_____
Q	Adult Chemical Dependency	8	_____	8	_____	8
R	Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S	Swing Beds	_____	_____	_____	_____	_____
T	Mental Health Residential Treatment	_____	_____	_____	_____	_____
U	Residential Hospice	_____	_____	_____	_____	_____
	TOTAL *CON-Beds approved but not yet in service	380	_____	275	_____	380
10	Medicare Provider Number Certification Type	440011 Hospital				
11	Medicaid Provider Number Certification Type	0440011 Hospital				
12	If this is a new facility, will certification be sought for Medicare and/or Medicaid?	Yes				
13	<i>Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? YES. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. See next page.</i>					

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Blount Memorial Hospital Certificate of Need Application - Section A

4. Ownership

Response: Blount Memorial Hospital will own and operate the proposed free-standing Emergency Department as an extension of its existing Emergency Department. There is no other ownership involved with this project.

8. Purpose of Review

Response: Blount Memorial Hospital proposes the initiation of Health Care Service as defined in TCA 68-11-1607(4) to add a free-standing Emergency Department as an extension of its existing Emergency Department.

13. *Identify all TennCare Managed Care Organization/Behavioral health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?*

Response: Yes

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Response: Blount Memorial Hospital participates in all MCO's that operate in our service area including:

Blue Cross BlueCare MCO

Cover TN

TennCare Select

United Health Care's Community Health Plan

Amerigroup

We have no relationship with out of area TennCare MCO's except for TennCare Select and Cover TN that serves statewide.

March 18, 2016

3:34 pm

Attachment A-4

Tennessee Secretary of State Document

March 18, 2016

3:34 pm



Tennessee Secretary of State

Tre Hargett

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000066648	NCORP	BLOUNT MEMORIAL HOSPITAL, INCORPORATED TENNESSEE	Entity	Active	01/22/1946	Active

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March 18, 2016

3:34 pm

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Tre Hargett



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March 18, 2016

3:34 pm

Attachment A-6

Letter from Goddard & Gamble

GODDARD & GAMBLE ATTORNEYS

101 WEST BROADWAY
SUITE 208
MARYVILLE, TENNESSEE 37801

March 18, 2016

3:34 pm

M. H. GAMBLE, 1871 - 1934
HOMER A. GODDARD, 1891 - 1960
J. C. GAMBLE, 1904 - 1987
M. H. GAMBLE, JR., 1914 - 1990
ARTHUR B. GODDARD 1925 -

TELEPHONE (865) 982-6731
FACSIMILE (865) 982-6733
gandgatty@bellsouth.net

March 15, 2016

CARL P. McDONALD
ROBERT N. GODDARD

DIANE M. HICKS*
*Also Licensed in Florida

VIA EMAIL ONLY

Email: jnelson@bmnet.com

Ms. Jane Nelson
Blount Memorial Hospital
907 E. Lamar Alexander Parkway
Maryville, TN 37804

Dear Jane:

You have asked me why the full property address is not on the Warranty Deed from KFDR, LLC, to Blount Memorial Hospital, Incorporated. In Tennessee, it is not required that the property address be on the face of the deed. In Tennessee, the requirement is that a parcel number be contained on the deed, and it is required that an address where the Tax Notice is to be sent be on the deed. Often times, if the property is unimproved, there may be no specific property address until an address is either assigned by E-911 or by the Property Assessor at a later date.

I hope this explains the situation.

Very truly yours,



RNG/maz

March 18, 2016

3:34 pm

Attachment A-9

Nursing Facility License

Board for Licensing Health Care Facilities



State of Tennessee

License No. 0000000365

No. Beds 0076

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

to conduct

and maintain a Nursing Home BLOUNT MEMORIAL TRANSITIONAL CARE CENTER

Located at 2320 EAST LAMAR ALEXANDER PARKWAY, MARYVILLE

County of BLOUNT, Tennessee.

This license shall expire APRIL 15, 2016 *and is subject*

to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State
this 15TH day of APRIL, 2015.



By *James J. Davis, MPH*
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By *John J. Davis*
COMMISSIONER

SUPPLEMENTAL #1

March 18, 2016

3:34 pm

March 18, 2016

3:34 pm

Attachment B-III-A

Plot Plan with Acreage

NOT FOR CONSTRUCTION

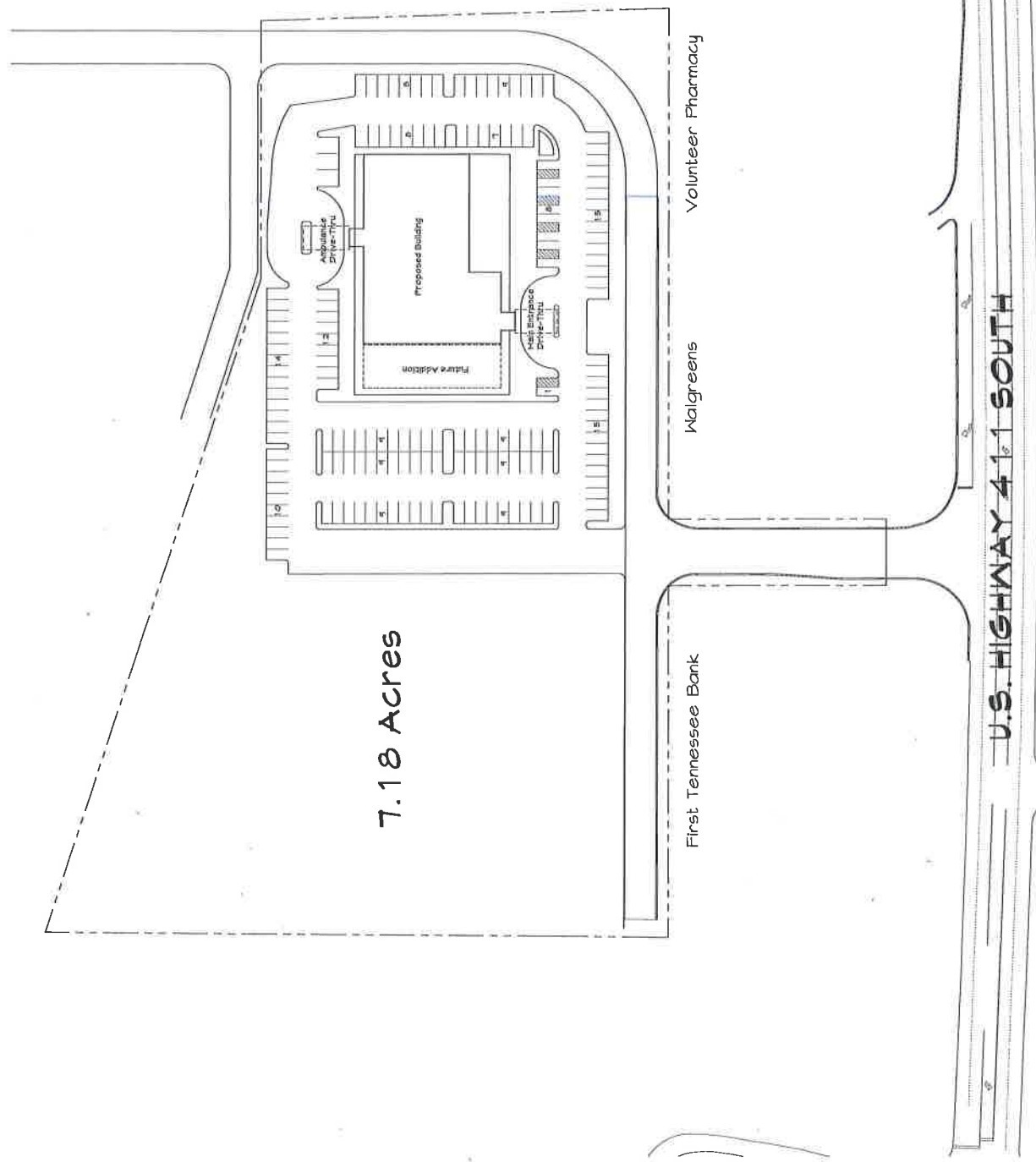
COOPER ARCHITECTURE LLC
 A PROFESSIONAL CORPORATION
 1405 BELL ROAD, KNOXVILLE, TN 37928
 TEL: 665.422.0553 FAX: 665.422.0554
 www.cooperarch.com
 PROJECT NO. 15-006
 DATE: 02-18-2016
 DRAWN BY: RCM/JJ
 CHECKED BY: CA
 PROJECT TITLE: Blount Memorial Hospital
 411 Freestanding Emergency Room

SUPPLEMENTAL #1

March 18, 2016

3:34 PM
 Marietta, TN
 Site Plan
 Proposed

February, 2016
 S12.1



Site Plan
 NTS

Attachment C-4

Corrected Historical Data Chart

Adjusted Projected Data Chart

Total Hospital Historical Data Chart

Total Hospital Projected Data Chart – 2018

Combined Projected Data Chart – 2018

March 18, 2016**3:34 pm****HISTORICAL DATA CHART**

Blount Memorial Emergency Department

Corrected

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal years begins in July (Month).

	<u>Year '13</u>	<u>Year '14</u>	<u>Year'15</u>
A. Utilization Data (Specify unit of measure)ER Visits	55,539	51,194	54,502
B. Revenue from Service to Patients			
1. Inpatient Services	\$ 0	\$ 0	\$ 0
2. Outpatient Services	\$ 0	\$ 0	\$ 0
3. Emergency Services	<u>\$25,971,300.</u>	<u>\$25,314,709.</u>	<u>\$31,097,478</u>
4. Other Operating Revenue (Specify) _____	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Gross Operating Revenue	<u>\$25,971,300</u>	<u>\$25,214,709</u>	<u>\$31,097,478</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$18,527,146	\$18,376,480	\$22,663,842
2. Provisions for Charity Care	\$ 1,579,834	\$ 1,311,165	\$ 1,641,947
3. Provisions for Bad Debt	<u>\$ 410,347</u>	<u>\$ 484,122</u>	<u>\$ 572,194</u>
Total Deductions	<u>\$20,517,327</u>	<u>\$20,171,767</u>	<u>\$24,877,983</u>
NET OPERATING REVENUE	\$ 5,453,973	\$ 5,042,942	\$ 6,219,495
D. Operating Expenses			
1. Salaries & Wages \$ Benefits	\$ 4,946,478	\$ 4,951,602	\$ 4,905,150
2. Physician's Salaries & Wages	\$ 0	\$ 0	\$ 0
3. Supplies	\$ 503,900	\$ 507,874	\$ 534,265
4. Taxes	\$ 0	\$ 0	\$ 0
5. Depreciation	\$ 195,655	\$ 185,957	\$ 307,133
6. Rent	\$ 0	\$ 0	\$ 0
7. Interest, other than Capital	\$ 0	\$ 0	\$ 0
8. Management Fees:			
a. Fees to Affiliates(Medical Director fee)	\$ 0	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0	\$ 0
9. Other Expenses (Purch.Maint, cell phones, Office supplies, linen, cleaning, travel, misc.	<u>\$ 102,474</u>	<u>\$ 158,758</u>	<u>\$ 228,613</u>
Total Operating Expenses	<u>\$ 5,748,507</u>	<u>\$ 5,804,191</u>	<u>\$ 5,975,161</u>
E. Other Revenue (Expenses) – Net	\$ 0	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)	<u>(\$ 294,534)</u>	<u>(\$ 761,249)</u>	\$ 244,334
F. Capital Expenditures			
1. Retirement of Principal	\$ 0	\$ 0	\$ 0
2. Interest	\$ 0	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	<u>(\$ 294,534)</u>	<u>(\$ 761,249)</u>	<u>\$ 244,334</u>

March 18, 2016**3:34 pm**

Projected Data Chart
Free-Standing Emergency Department

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>18,427</u>	<u>19,144</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>0</u>	<u>0</u>
2. Outpatient Services	<u>0</u>	<u>0</u>
3. Emergency Services	<u>\$35,822,088</u>	<u>\$38,345,432</u>
4. Other Operating Revenue (Specify) _____		
Gross Operating Revenue	<u>\$35,822,088</u>	<u>\$38,345,432</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$26,404,461</u>	<u>\$28,438,890</u>
2. Provision for Charity Care	<u>\$ 2,089,144</u>	<u>\$2,437,619</u>
3. Provisions for Bad Debts	<u>\$ 522,286</u>	<u>\$ 375,018</u>
Total Deductions	<u>\$29,015,891</u>	<u>\$31,251,527</u>
NET OPERATING REVENUE	<u>\$ 6,806,197</u>	<u>\$ 7,093,905</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	\$ 2,726,210	\$ 2,807,996
2. Physician's Salaries and Wages	0	0
3. Supplies	\$ 207,857	\$ 226,742
4. Taxes	\$ 0	\$ 0
5. Depreciation	\$ 432,544	\$ 432,544
6. Rent	\$ 0	\$ 0
7. Interest, other than Capital	\$ 0	\$ 0
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates		
2. Other Expenses (Specify) (See Next page)	<u>\$ 1,361,766</u>	<u>\$ 1,480,928</u>
Total Operating Expenses	<u>\$ 4,728,377</u>	<u>\$ 4,948,210</u>
E. Other Revenue (Expenses) – Net (Specify)	<u>\$ 0</u>	<u>\$ 0</u>
NET OPERATING INCOME (LOSS)	<u>\$ 2,077,820</u>	<u>\$ 2,145,695</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	\$ 243,691	\$ 243,691
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 1,834,129</u>	<u>\$ 1,902,004</u>

March 18, 2016**3:34 pm****HISTORICAL DATA CHART**

Total Hospital

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal years begins in July (Month).

	Year '13	Year '14	Year '15
A. Utilization Data (Specify unit of measure)ER Visits	55,539	51,194	54,502
B. Revenue from Service to Patients			
1. Inpatient & Outpatient Services	\$675,946,721	\$722,301,285	\$778,075,653
2. Emergency Services	<u>\$ 25,971,300</u>	<u>\$ 25,314,709</u>	<u>\$ 31,097,478</u>
3. Other Operating Revenue (MSO, Wellness, other)	<u>\$ 31,645,236</u>	<u>\$ 38,455,362</u>	<u>\$ 41,410,997</u>
Gross Operating Revenue	<u>\$733,563,257</u>	<u>\$786,071,356</u>	<u>\$850,584,128</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$474,980,352	\$514,382,294	\$564,165,442
2. Provisions for Charity Care	\$ 40,977,634	\$ 37,564,748	\$ 38,331,218
3. Provisions for Bad Debt	<u>\$ 10,746,645</u>	<u>\$ 12,854,236</u>	<u>\$ 14,806,798</u>
Total Deductions	<u>\$526,704,631</u>	<u>\$564,801,278</u>	<u>\$617,303,458</u>
NET OPERATING REVENUE	<u>\$206,858,626</u>	<u>\$221,270,078</u>	<u>\$233,280,670</u>
D. Operating Expenses			
1. Salaries & Wages \$ Benefits	\$129,281,906	\$133,467,847	\$137,642,539
2. Physician's Salaries & Wages	\$ 0	\$ 0	\$ 0
3. Supplies	\$ 32,045,776	\$ 34,169,470	\$ 35,875,833
4. Taxes	\$ 0	\$ 0	\$ 0
5. Depreciation	\$ 13,288,931	\$ 16,152,257	\$ 17,225,398
6. Rent	\$ 2,808,918	\$ 2,981,710	\$ 2,615,620
7. Interest, other than Capital	\$ 3,705,090	\$ 2,220,004	\$ 2,220,004
8. Management Fees:			
a. Fees to Affiliates(Medical Director fee)	\$ 0	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0	\$ 0
9. Other Expenses (maint., utilities, marketing)	<u>\$ 33,301,872</u>	<u>\$ 36,463,998</u>	<u>\$ 37,109,440</u>
Total Operating Expenses	<u>\$214,432,493</u>	<u>\$225,455,286</u>	<u>\$232,688,834</u>
E. Other Revenue (Expenses) – Net	\$ (166,172)	\$ 9,339,309	\$ (585,820)
NET OPERATING INCOME (LOSS)	<u>(\$ 7,740,039)</u>	<u>\$ 5,154,101</u>	<u>\$ 6,016</u>
F. Capital Expenditures			
1. Retirement of Principal	\$ 0	\$ 0	\$ 0
2. Interest	\$ 0	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	<u>(\$ 7,740,039)</u>	<u>\$ 5,154,101</u>	<u>\$ 6,016</u>

March 18, 2016**3:34 pm**

Projected Data Chart
Total Hospital

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>61,800</u>	<u>62,542</u>
B. Revenue from Services to Patients (Gross All)	\$1,149,529,145	\$1,245,351,034
1. Inpatient Services	—	
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) see below	\$ 48,326,219	\$ 50,259,268
Gross Operating Revenue	<u>\$1,197,855,364</u>	<u>\$1,295,610,302</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$827,291,177</u>	<u>\$895,282,858</u>
2. Provision for Charity Care	<u>\$ 65,456,480</u>	<u>\$ 70,835,567</u>
3. Provisions for Bad Debts	<u>\$ 16,370,120</u>	<u>\$ 17,708,892</u>
Total Deductions	<u>\$909,117,777</u>	<u>\$983,827,317</u>
NET OPERATING REVENUE	<u>\$288,737,587</u>	<u>\$ 311,782,985</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	\$ 172,450,602	\$ 178,042,938
2. Physician's Salaries and Wages	0	0
3. Supplies	\$ 46,771,818	\$ 48,869,433
4. Taxes	\$ 0	\$ 0
5. Depreciation	\$ 16,755,762	\$ 17,188,306
6. Rent - Equipment	\$ 2,001,145	\$ 2,061,180
7. Interest, other than Capital	\$ 0	\$ 0
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates		
2. Other Expenses (Specify) (See Next page)	<u>\$ 30,713,353</u>	<u>\$ 32,194,281</u>
Total Operating Expenses	<u>\$ 282,060,405</u>	<u>\$ 309,892,982</u>
E. Other Revenue (Expenses) – Net (Invest./contributions)	<u>\$ 4,002,312</u>	<u>\$ 4,019,134</u>
NET OPERATING INCOME (LOSS)	<u>\$ 10,679,494</u>	<u>\$ 5,909,137</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	\$ 2,692,644	\$ 2,936,335
Total Capital Expenditures	<u>\$ 2,692,644</u>	<u>\$ 2,936,335</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 7,986,850</u>	<u>\$ 2,972,802</u>
Other Rev.: MSO, wellness, misc.		

March 18, 2016**3:34 pm**

Projected Data Chart
Main ER and Free-Standing ER Combined

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
G. Utilization Data (Specify unit of measure) ER Visits	<u>61,800</u>	<u>62,542</u>
H. Revenue from Services to Patients		
5. Inpatient Services		
6. Outpatient Services		
7. Emergency Services	\$120,139,200	\$125,271,626
8. Other Operating Revenue (Specify) see below		
Gross Operating Revenue	<u>\$120,139,200</u>	<u>\$125,271,626</u>
I. Deductions from Gross Operating Revenue		
4. Contractual Adjustments	<u>\$ 90,238,235</u>	<u>\$ 94,093,272</u>
5. Provision for Charity Care	<u>\$ 7,139,728</u>	<u>\$ 7,444,742</u>
6. Provisions for Bad Debts	<u>\$ 1,784,932</u>	<u>\$ 1,861,186</u>
Total Deductions	<u>\$ 99,162,896</u>	<u>\$103,399,200</u>
NET OPERATING REVENUE	<u>\$ 20,976,304</u>	<u>\$ 21,872,426</u>
J. Operating Expenses		
9. Salaries and Wages & Benefits	\$ 9,611,136	\$ 9,899,470
10. Physician's Salaries and Wages	0	0
11. Supplies	\$ 803,400	\$ 853,698
12. Taxes	\$ 0	\$ 0
13. Depreciation	\$ 739,677	\$ 739,677
14. Rent - Equipment	\$ 0	\$ 0
15. Interest, other than Capital	\$ 222,500	\$ 222,500
16. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0
3. Other Expenses (Specify)	<u>\$ 4,758,600</u>	<u>\$ 5,008,363</u>
Total Operating Expenses	<u>\$ 16,135,313</u>	<u>\$ 16,723,709</u>
K. Other Revenue (Expenses) – Net (Specify)	<u>\$ 0</u>	<u>\$ 0</u>
NET OPERATING INCOME (LOSS)	<u>\$ 4,840,991</u>	<u>\$ 5,148,717</u>
L. Capital Expenditures		
3. Retirement of Principal	\$ 0	\$ 0
4. Interest	\$ 243,691	\$ 243,691
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 4,597,300</u>	<u>\$ 4,905,026</u>

March 18, 2016

3:34 pm

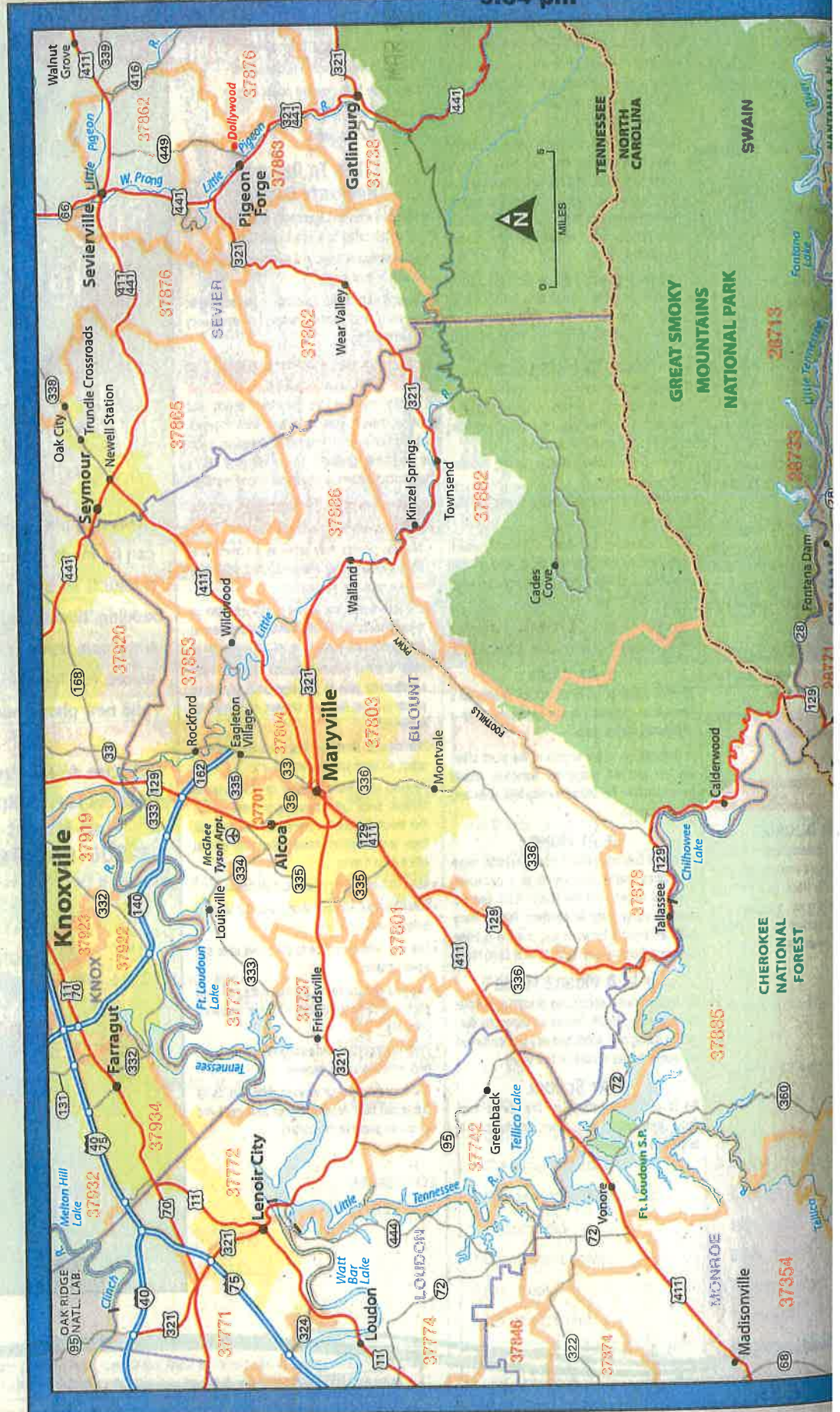
Attachment C-6

Zip Code Map

March 18, 2016

3:34 pm

area zip code map



Supplemental #2 -Original-

Blount Memorial Hospital

CN1603-011



Blount Memorial
Hospital

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

March 23, 2017

Phillip Earhart
HSD Examiner
Tennessee Health Services Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN 1603-011
Supplemental questions – Blount Memorial Hospital, Inc., (Free Standing ED)

Dear Mr. Earhart:

1. Section B, Project Description, Item I.

What is the distance from the proposed ED site to Fort Loudon Medical Center and Sweetwater Hospital Association?

Response:

The distance from the proposed ED site to Fort Loudon Medical Center in Lenoir City is 22 miles; the distance from the proposed ED site to Sweetwater Hospital Association is 44 miles. The source for this information is MapQuest.

According to Blount Memorial Hospital's 2014 Joint Annual Report, the applicant does not have open heart surgery capabilities. Please indicate where the hospital patients are referred for open heart surgeries.

Response:

Though I don't have exact numbers, according to our Cardiologists who more often refer patients for open heart service, there are several factors that weigh into the decision. It depends on the patient's choice, the availability of a surgeon/surgical suite of the receiving hospital and the patient's condition. The hospitals utilized for open heart by our referring physicians most often include University Medical Center, Ft. Sanders Regional Medical Center, Parkwest Medical Center, and less frequently, Tennova's Physicians Regional Medical Center.

For children and/or adolescents ages 0-17 who present in the ED with psychiatric symptoms, where are they referred for inpatient psychiatric services?

Response:

Depending on their age, we refer children and adolescents to the following programs in Tennessee:

The top three referred to are:

SUPPLEMENTAL #2

March 28, 2016

11:24 am **Robert Redwine**
President of the Board

David Pesterfield
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

March 28, 2016**11:24 am**

Peninsula's Youth Village – Louisville
ParkRidge Valley Children & Adolescent Center – Chattanooga
Rolling Hills Hospital - Franklin

Others include:

Vanderbilt Behavioral Health Hospital – Nashville
TriStar Skyline Hospital – Madison
Woodridge – Johnson City
Lakeside – Memphis
St. Francis Hospital - Memphis

Please clarify if the applicant provides specialized emergency care for burns. If not where are patients referred?

Response:

We do not provide specialized emergency care for burns. We stabilize and refer primarily to Vanderbilt Medical Center. The only other options are out of State and we keep the information for referrals if needed. These include:

North Carolina:

Jaycee Burn Center/UNC Hospitals – Chapel Hill, NC
Wake Forest University/Baptist Medical Center Burn Center – Winston-Salem, NC

Kentucky:

University of Kentucky Hospital – Lexington, KY
University of Louisville Hospital – Louisville, KY
Kosair Children's Hospital Burn Center – Louisville, KY

The table by indicating the number of treatment rooms, stations, and square footage for the existing hospital Emergency Department (ED) and proposed satellite ED is noted. However, the total number of exam/treatment rooms appears to be incorrect. Please clarify if some exam/treatment rooms are used for dual purposes.

Response:

The total number of exam/treatment rooms in the table for the main ED and the proposed free standing ED area are correct. We don't count the triage areas as exam/treatment rooms. Under the column market 'combined' – there is a typographical error for multi-purpose that indicates '30' total when in fact it should indicate 20.

2. Section B, Project Description, Item III.A and III.B.1

The table that shows distance to existing Hospital EDs for the applicant's primary service area zip codes is noted. However, please provide a source (i.e.-MapQuest, Google, etc.) for the table.

Response:

MapQuest.

3. Section C, Need, Item 1 (Project Specific Criteria) Construction, Renovation, Item 3.a and Item 3.b

March 28, 2016**11:24 am**

The applicant cites a standard of 1,500 visits per treatment room per year from the American College of Emergency Physicians. However, the standard could not be found in the publication. Please cite the page number the 1,500 visits per treatment room standard is found in the 2002 Edition of the American College of Emergency Physicians.

Response:

It's on Page 71 of the ACEP Guide. While this is a guide, we do utilize the *Guidelines for Design and Construction of Hospital's and Outpatient Facilities, 2014 Edition* by The Facilities Guideline Institution for determining space allocation as required by Tennessee Department of Health.

The following chart outlining the American College of Emergency Medicine (ACEP) latest Guidelines for high and low estimates for emergency department areas and beds for the proposed satellite emergency department and existing main emergency department for Year One of the project is noted. However, please address the following:

- Please discuss the existing demand for the proposed project (18,427 visits) by using the guidelines found in the following chart.

Response:

Demand is based on use rate and population data. The American College of Emergency Physicians represents a guide, but when designing the free-standing Emergency Department, Tennessee Department of Health requires that architects utilize *Guidelines for Design and Construction of Hospital's and Outpatient Facilities, 2014 Edition* by The Facilities Guideline Institution. In addition, the proposed free standing facility has some shelled space for future considerations, so that the visits per bed per square foot are lower in the proposed site.

- Please explain the reason the square footage of the proposed satellite ED is larger than that of the main ED.

Response:

The proposed free standing ED space allocation was developed with the requirements of the *Guidelines for Design and Construction of Hospital's and Outpatient Facilities*, which is the required space allocation guide by the Tennessee Department of Health. In addition, we have added shelled space for future considerations.

When the Emergency Department for our main campus was designed in the late '70's, the building requirements were different and the volume of ED visits were much lower. The cost of attempting to expand the existing space is prohibitive and would take away from other valuable space that is utilized for the Department of Radiology. The new proposed free-standing ED space will meet help alleviate the volume in the main ED and allow for future needs.

From the chart below, it appears the applicant's main ED (projected annual visits between 40,000-50,000 visits) projected visits for Year One is below the following current emergency department design guidelines: 1) the current square footage of 16,042 SF is below the low range department gross area square feet (dgsf) guideline that is between 21,875 and 28,875 dsgf, 2) the 1,675 visits per bed exceeds the visits per bed

March 28, 2016**11:24 am**

range guideline by approximately 36%, and 3) the current bed area of 594 dsgf is 43% below the 850 dsgf minimum guideline per bed. With this in mind, please discuss how the applicant plans to minimally meet guidelines for the main emergency department using current ACEP guidelines as listed in the following chart.

Response:

Unless the volume of visits were to decrease significantly at the main ED, which is not expected, the main campus ED will continue to be below the ACEP guidelines as we are not in a position to expand the existing ED. However, the proposed free-standing ED will help off-load the volume and help address this space problem.

Emergency Department Design: A Practical Guide to Planning, 2002, American College of Emergency Physicians-High and Low Estimates for dept. areas and beds							
Projected Annual Visits	Dept. Gross Area		Bed Quantities				
	Low Range dgsf	High Range dgsf	Low Range Bed Qty.	Low Range Visits/Bed	High Range Bed Qty.	High Range Visits/Bed	Estimated Area /Bed
10,000	7,200	9,900	8	1,250	11	909	900 dsgf/bed
20,000	13,500	17,100	15	1,333	19	1,053	900 dsgf/bed
30,000	17,500	22,750	20	1,500	26	1,154	875 dsgf/bed
40,000	21,875	28,875	25	1,600	33	1,212	875dsgf/bed
50,000	25,500	34,000	30	1,667	40	1,250	850 dsgf/bed
60,000	29,750	39,950	35	1,714	47	1,277	850 dsgf/bed
70,000	30,000	44,550	40	1,750	54	1,296	825 dsgf/bed
Applicant-Blount Memorial Hospital Satellite ED							
Projected Visits Yr. 1	Total Square Footage		Beds		Visits Per Bed		Estimated Area /Bed
18,427	17,250		14		1,316		1,232 dsgf
Applicant-Blount Memorial Hospital Main ED							
Projected Visits Yr. 1	Total Square Footage		Beds		Visits Per Bed		Estimated Area /Bed
45,227	16,042		27		1,675		594 dsgf

Source: Emergency Department Design: A Practical Guide to Planning, 2002, American College of Emergency Physicians, Page 71, Figure 6.5.

4. Section C, Need, Item 2

Your response to this item is noted. What other or additional services does the applicant plan to locate on the 411 property?

Response:

We have not finalized any specific plans, but it is anticipated that we will place some primary care practices at the site.

March 28, 2016**11:24 am****5. Section C, Need, Item 5**

The historical ED visit volumes for each of the past three years for each hospital in Loudon and Monroe Counties are noted. However, please provide a source for the data.

Response:

THA Market IQ data.

The table for ED patient origin by zip code for CY 2015 for zip codes with patient origin over 0.15% is noted. However, please clarify how the % by Zip code was calculated. What was the total number of 2015 patients treated that was used to calculate percentages?

Response:

The percent represents patient origin data, so the volume by each area was divided by the total ER visits. The total utilized to calculate the percentages was calendar year ER visits totaling 57,765.

6. Section C, Economic Feasibility, Item 4 (Historical Data Chart and Projected Data Chart)

The Main ER and Free-Standing ER combined projected Data Chart is noted. However, the chart is incorrectly formatted by letter and number. Please revise and submit a replacement Projected Data Chart.

Response:

The corrected Projected Data Chart is provided in an Attachment to this letter marked "Corrected Projected Data Chart for the Combined Main ED and Free-Standing ED".

Please complete the following charts for Other Expenses for the Main ED:

Response:

I am not able to provide the level of detail you are requesting at this point in time for the Historical Data chart other expenses for both the hospital total and the Emergency Department other than to indicate that it included purchased maintenance, office supplies, linen, travel, cell phone expense and the medical director fee.

**Free-Standing Emergency Department
PROJECTED DATA CHART-OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 1</u>	<u>Year 2</u>
1. Radiology/PACS/RIS License/storage	\$ 22,000	\$ 22,000
2. Lab supply/reagents	\$ 15,633	\$ 16,761
3. Lab rental	\$ 135,120	\$ 135,120

SUPPLEMENTAL #2

March 28, 2016

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4. IS support	\$ 28,363	\$ 28,363
5. Pharmacy/contrast	\$1,031,912	\$1,147,108
6. Medical Director	\$ 55,000	\$ 55,000
Contingency	\$ 73,708	\$ 76,576
Total Other Expenses	\$1,361,766	\$1,480,928

Projected Data Chart – Other Expenses – Total Hospital

Response:

As indicated, this line item contains many of the items indicated above and were projected based on totals and cannot be itemized.

Projected Data Chart for Combined ER and Main ER – Other Expenses

Response:

The Free Standing ED Other expenses are outlined above, the main ED consists of the items indicated above. Expenses related to services provided by other departments reside in those respective departments and cannot be distinguished for the main campus ED.

8. Section C, Need, Item 6.

The Projected Utilization by Zip code chart in the Applicant's Proposed Service Area, Year 1 is noted. It is also noted the applicant could not predict volume by all zip codes. However, please provide what Zip codes are assigned to the following categories in the chart: 1) Other Blount County, 2) Other Loudon County, and 3) Other Monroe County.

Response:

Other Blount: Lousville – 37777; Rockford – 37853; Alcoa- 37701; Walland – 37886; Townsend – 37882; Tallassee – 37878 (included in Blount & Monroe county).

Other Loudon: Lenoir City – 37771 & 37772; Loudon – 37774; Philadelphia- 37846.

Other Monroe: Sweetwater – 37874; Madisonville – 37354; Mount Vernon – 37358; Tellico Plains – 37385; Coker Creek - 37314

Please don't hesitate to contact me should you have any questions regarding my responses.

Sincerely,



Jane T. H. Nelson
Assistant Administrator

March 28, 2016

11:24 am

Corrected Projected Data Chart
For the
Main ED and the Free Standing ED
Combined

March 28, 2016**11:24 am**

Projected Data Chart
Main ER and Free-Standing ER Combined

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>61,800</u>	<u>62,542</u>
B. Revenue from Services to Patients		
5. Inpatient Services		
6. Outpatient Services		
7. Emergency Services	\$120,139,200	\$125,271,626
8. Other Operating Revenue (Specify) see below		
Gross Operating Revenue	<u>\$120,139,200</u>	<u>\$125,271,626</u>
C. Deductions from Gross Operating Revenue		
4. Contractual Adjustments	<u>\$ 90,238,235</u>	<u>\$ 94,093,272</u>
5. Provision for Charity Care	<u>\$ 7,139,728</u>	<u>\$ 7,444,742</u>
6. Provisions for Bad Debts	<u>\$ 1,784,932</u>	<u>\$ 1,861,186</u>
Total Deductions	<u>\$ 99,162,896</u>	<u>\$103,399,200</u>
NET OPERATING REVENUE	<u>\$ 20,976,304</u>	<u>\$ 21,872,426</u>
D. Operating Expenses		
9. Salaries and Wages & Benefits	\$ 9,611,136	\$ 9,899,470
10. Physician's Salaries and Wages	0	0
11. Supplies	\$ 803,400	\$ 853,698
12. Taxes	\$ 0	\$ 0
13. Depreciation	\$ 739,677	\$ 739,677
14. Rent - Equipment	\$ 0	\$ 0
15. Interest, other than Capital	\$ 222,500	\$ 222,500
16. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0
3. Other Expenses (Specify)	<u>\$ 4,758,600</u>	<u>\$ 5,008,363</u>
Total Operating Expenses	<u>\$ 16,135,313</u>	<u>\$ 16,723,709</u>
E. Other Revenue (Expenses) – Net (Specify)	<u>\$ 0</u>	<u>\$ 0</u>
NET OPERATING INCOME (LOSS)	<u>\$ 4,840,991</u>	<u>\$ 5,148,717</u>
F. Capital Expenditures		
3. Retirement of Principal	\$ 0	\$ 0
4. Interest	\$ 243,691	\$ 243,691
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 4,597,300</u>	<u>\$ 4,905,026</u>

March 28, 2016

11:24 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Blount

NAME OF FACILITY: Blount Memorial Hospital, Inc.

I, Jane T. H. Nelson, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Jane T. H. Nelson, Assistant Administrator
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 25th day of March, 2016
witness my hand at office in the County of Blount, State of Tennessee.



Connie W. Huffman
NOTARY PUBLIC

My commission expires March 25, 2019

Supplemental #3 -Original-

Blount Memorial Hospital,
Inc.

CN1603-011



Blount Memorial
Hospital

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

March 29, 2016

Phillip Earhart
HSD Examiner
Tennessee Health Services Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN 1603-011
Blount Memorial Hospital, Inc. (Freestanding Emergency Department)

Dear Mr. Earhart:

Per your request, listed below are the responses to your supplemental questions, along with the completed affidavit.

1. Section C, Project Description, Item II.A and II. D

The applicant indicates in Supplemental #1 there was a typographical error in the following table. Please revise.

Response:

Note the corrected table below.

Patient Care Areas other than Ancillary Services	Hospital ED	Satellite ED	Combined ED's
Total/Exam/Treatment Rooms	27	14	41
Multipurpose	11	9	20
Holding/Secure/Psychiatric	4	2	6
Isolation	2	1	3
Trauma	10	2	12
Triage stations	3	1	4
Decontamination Rooms/Stations	*	1 room	
GSF of Main and Satellite ED's	16,042	17,250	33,292

- We have a decontamination station located outside of the Ed at our main campus that can serve multiple patients.

SUPPLEMENTAL #3

March 30, 2016

11:37 am Robert Redwine
President of the Board

David Pesterfield
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

March 30, 2016**11:37 am****2. Section C, Economic Feasibility, Item 4 (Historical Data Chart and Projected Data Chart)**

The revised Main ER and Free-Standing ER combined projected Data Chart is noted. However, the chart is not numerically formatted correctly. Please revise and submit a replacement Projected Data Chart.

Response:

Please note the attached Projected Data chart for the Combined ER and Free Standing ER that is numerically formatted correctly.

There is a calculation error in Year One of the following table. Please complete the following table for Other Expense:

Response:

Please note the corrected chart below in Year 1 with the correct total figure.

**Free-Standing Emergency Department
PROJECTED DATA CHART-OTHER EXPENSES**

OTHER EXPENSES CATEGORIES	Year 1	Year 2
1. Radiology/PACS/RIS License/storage	\$ 22,000	\$ 22,000
2. Lab supply/reagents	\$ 15,633	\$ 16,761
3. Lab rental	\$ 135,120	\$ 135,120
4. IS Support	\$ 28,363	\$ 28,363
5. Pharmacy/contrast	\$ 1,031,912	\$ 1,147,108
6. Medical Director	\$ 55,000	\$ 55,000
7. Contingency	\$ 73,708	\$ 76,576
Total Other Expenses	\$ 1,361,736	\$ 1,480,928

Please let me know if you have any questions regarding these responses.

Sincerely,



Jane T. H. Nelson
Assistant Administrator
Enc.

March 30, 2016**11:37 am**

Projected Data Chart
Main ER and Free-Standing ER Combined

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>61,800</u>	<u>62,542</u>
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services		
3. Emergency Services	\$120,139,200	\$125,271,626
4. Other Operating Revenue (Specify) see below		
Gross Operating Revenue	<u>\$120,139,200</u>	<u>\$125,271,626</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$ 90,238,235</u>	<u>\$ 94,093,272</u>
2. Provision for Charity Care	<u>\$ 7,139,728</u>	<u>\$ 7,444,742</u>
3. Provisions for Bad Debts	<u>\$ 1,784,932</u>	<u>\$ 1,861,186</u>
Total Deductions	<u>\$ 99,162,896</u>	<u>\$103,399,200</u>
NET OPERATING REVENUE	<u>\$ 20,976,304</u>	<u>\$ 21,872,426</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	\$ 9,611,136	\$ 9,899,470
2. Physician's Salaries and Wages	0	0
3. Supplies	\$ 803,400	\$ 853,698
4. Taxes	\$ 0	\$ 0
5. Depreciation	\$ 739,677	\$ 739,677
6. Rent - Equipment	\$ 0	\$ 0
7. Interest, other than Capital	\$ 222,500	\$ 222,500
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0
9. Other Expenses (Specify)	<u>\$ 4,758,600</u>	<u>\$ 5,008,363</u>
Total Operating Expenses	<u>\$ 16,135,313</u>	<u>\$ 16,723,709</u>
E. Other Revenue (Expenses) – Net (Specify)	<u>\$ 0</u>	<u>\$ 0</u>
NET OPERATING INCOME (LOSS)	<u>\$ 4,840,991</u>	<u>\$ 5,148,717</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	\$ 243,691	\$ 243,691
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>\$ 4,597,300</u>	<u>\$ 4,905,026</u>

March 30, 2016**11:37 am****AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF BlountNAME OF FACILITY: Blount Memorial Hospital, Inc.

I, Jane T.H. Nelson, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Jane T.H. Nelson, Assistant Administrator
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30 day of March, 2016,
witness my hand at office in the County of Blount, State of Tennessee.

Stacy Hawkins
NOTARY PUBLIC

My commission expires August 29, 2018.

**Additional Info
Supplemental #3
-Original-**

Blount Memorial Hospital

CN1603-011



**Blount Memorial
Hospital**

907 East Lamar Alexander Parkway
Maryville, Tennessee 37804
865-983-7211

March 30, 2016

Phillip Earhart
HSD Examiner
Tennessee Health Services Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Certificate of Need Application CN1603-011 – Corrected Charts

Dear Mr. Earhart:

Enclosed please find three corrected Projected Data Charts for the following:

- (1) The Free-Standing ED Projected Data Chart;
- (2) The Combined Main ED and Free Standing Projected Data Chart; and
- (3) The Total Hospital with the Free Standing Projected Data Chart.

The \$30 error in 'other expenses' in Year 1 from the Free-standing Projected Data Chart affected these charts.

Please don't hesitate to contact me should you have any questions at 865-981-2310.

Sincerely,

Jane T. H. Nelson
Assistant Administrator

Enc.

Robert Redwine
President of the Board

David Pesterfield
Vice President of the Board

Don Heinemann
Chief Executive Officer

Medical Staff

Dr. Teresa Catron
Chief of Staff

Dr. John Niethammer
Vice Chief of Staff

Projected Data Chart
Free-Standing Emergency Department

Give information for the two (2) years following the completion of this proposal. The Fiscal Year begins in July.

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>18,427</u>	<u>19,144</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 0	\$ 0
2. Outpatient Services	\$ 0	\$ 0
3. Emergency Services	\$35,822,088	\$38,345,432
4. Other Operating Revenue (Specify) _____	\$ 0	\$ 0
Gross Operating Revenue	<u>\$35,822,088</u>	<u>\$38,345,432</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$26,404,461</u>	<u>\$28,438,890</u>
2. Provision for Charity Care	<u>\$ 2,089,144</u>	<u>\$ 2,437,619</u>
3. Provision for Bad Debts	<u>\$ 522,286</u>	<u>\$ 375,018</u>
Total Deductions	<u>\$29,015,891</u>	<u>\$31,251,527</u>
NET OPERATING REVENUE	<u>\$ 6,806,197</u>	<u>\$ 7,093,905</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	<u>\$ 2,726,210</u>	<u>\$ 2,807,996</u>
2. Physician's Salaries and Wages	\$ 0	\$ 0
3. Supplies	<u>\$ 207,857</u>	<u>\$ 226,742</u>
4. Taxes	\$ 0	\$ 0
5. Depreciation	<u>\$ 432,544</u>	<u>\$ 432,544</u>
6. Rent	\$ 0	\$ 0
7. Interest, other than Capital	\$ 0	\$ 0
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0
9. Other Expenses (Specify) See next Page	<u>\$ 1,361,736</u>	<u>\$ 1,480,928</u>
Total Operating Expenses	<u>\$ 4,728,347</u>	<u>\$ 4,948,210</u>
E. Other Revenue (Expenses) – Net (Specify)	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)	<u>\$ 2,077,850</u>	<u>\$ 2,145,695</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	<u>\$ 243,691</u>	<u>\$ 243,691</u>
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 1,834,159</u>	<u>\$ 1,902,004</u>

**Free-Standing Emergency Department
PROJECTED DATA CHART
Other Expenses**

OTHER EXPENSE CATEGORIES	YEAR 1	YEAR 2
1. Radiology/PACS/RIS License/storage	\$ 22,000	\$ 22,000
2. Lab supplies/reagents	\$ 15,633	\$ 16,761
3. Lab rental	\$ 135,120	\$ 135,120
4. IS Support	\$ 28,363	\$ 28,363
5. Pharmacy/contrast	\$ 1,031,912	\$ 1,147,108
6. Medical Director	\$ 55,000	\$ 55,000
7. Contingency	\$ 73,708	\$ 76,576
Total Other Expenses	\$ 1,361,736	\$ 1,480,928

Projected Data Chart
Main ER and Free-Standing ER Combined

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>61,800</u>	<u>62,542</u>
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services		
3. Emergency Services	\$120,139,200	\$125,271,626
4. Other Operating Revenue (Specify) see below		
Gross Operating Revenue	<u>\$120,139,200</u>	<u>\$125,271,626</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$ 90,238,235</u>	<u>\$ 94,093,272</u>
2. Provision for Charity Care	<u>\$ 7,139,728</u>	<u>\$ 7,444,742</u>
3. Provisions for Bad Debts	<u>\$ 1,784,932</u>	<u>\$ 1,861,186</u>
Total Deductions	<u>\$ 99,162,896</u>	<u>\$103,399,200</u>
NET OPERATING REVENUE	<u>\$ 20,976,304</u>	<u>\$ 21,872,426</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	\$ 9,611,136	\$ 9,899,470
2. Physician's Salaries and Wages	0	0
3. Supplies	\$ 803,400	\$ 853,698
4. Taxes	\$ 0	\$ 0
5. Depreciation	\$ 739,677	\$ 739,677
6. Rent - Equipment	\$ 0	\$ 0
7. Interest, other than Capital	\$ 222,500	\$ 222,500
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates	\$ 0	\$ 0
9. Other Expenses (Specify)	<u>\$ 4,758,570</u>	<u>\$ 5,008,363</u>
Total Operating Expenses	<u>\$ 16,135,283</u>	<u>\$ 16,723,709</u>
E. Other Revenue (Expenses) – Net (Specify)	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)	<u>\$ 4,841,021</u>	<u>\$ 5,148,717</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	\$ 243,691	\$ 243,691
Total Capital Expenditures	<u>\$ 243,691</u>	<u>\$ 243,691</u>
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>\$ 4,597,330</u>	<u>\$ 4,905,026</u>

Projected Data Chart
Total Hospital

Give information for the two (2) years following the completion of this proposal. The fiscal Year begins in July.

	YEAR 1	YEAR 2
A. Utilization Data (Specify unit of measure) ER Visits	<u>61,800</u>	<u>62,542</u>
B. Revenue from Services to Patients (Gross All)	\$1,149,529,145	\$1,245,351,034
1. Inpatient Services	—	—
2. Outpatient Services	—	—
3. Emergency Services	—	—
4. Other Operating Revenue (Specify) see below	\$ 48,326,219	\$ 50,259,268
Gross Operating Revenue	<u>\$1,197,855,364</u>	<u>\$1,295,610,302</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$827,291,177</u>	<u>\$895,282,858</u>
2. Provision for Charity Care	<u>\$ 65,456,480</u>	<u>\$ 70,835,567</u>
3. Provisions for Bad Debts	<u>\$ 16,370,120</u>	<u>\$ 17,708,892</u>
Total Deductions	<u>\$909,117,777</u>	<u>\$983,827,317</u>
NET OPERATING REVENUE	<u>\$288,737,587</u>	<u>\$ 311,782,985</u>
D. Operating Expenses		
1. Salaries and Wages & Benefits	\$ 172,450,602	\$ 178,042,938
2. Physician's Salaries and Wages	0	0
3. Supplies	\$ 46,771,818	\$ 48,869,433
4. Taxes	\$ 0	\$ 0
5. Depreciation	\$ 16,755,762	\$ 17,188,306
6. Rent - Equipment	\$ 2,001,145	\$ 2,061,180
7. Interest, other than Capital	\$ 0	\$ 0
8. Management Fees:		
a. Fees to Affiliates (Medical Director)	\$ 0	\$ 0
b. Fees to Non-Affiliates		
9. Other Expenses (Specify)	<u>\$ 44,081,048</u>	<u>\$ 47,840,074</u>
Total Operating Expenses	<u>\$ 282,060,375</u>	<u>\$ 294,001,931</u>
E. Other Revenue (Expenses) – Net (Invest./contributions	\$ 4,002,312	\$ 4,019,134
NET OPERATING INCOME (LOSS)	<u>\$ 10,679,524</u>	<u>\$ 21,800,188</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ 0	\$ 0
2. Interest	\$ 2,692,644	\$ 2,936,335
Total Capital Expenditures	<u>\$ 2,692,644</u>	<u>\$ 2,936,335</u>
NET OPERATING INCOME (LOSS)		
LESS: CAPITAL EXPENDITURES	<u>\$ 7,986,880</u>	<u>\$ 18,863,853</u>
Other Rev.: MSO, wellness, misc.		

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Blount

NAME OF FACILITY: Blount Memorial Hospital, Inc.

I, Jane T.H. Nelson, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Jane T.H. Nelson, Assistant Administrator
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30 day of March, 2016, witness my hand at office in the County of Blount, State of Tennessee.

Stacy Hawkins
NOTARY PUBLIC

My commission expires August 29, 2018.

HF-0043

Revised 7/02